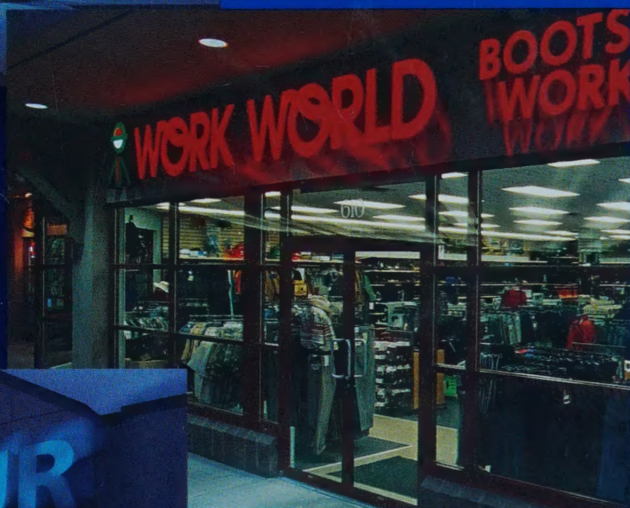
MARK'S WORK WEARHOUSE LTD.

the view ahead



ANNUAL REPORT • JANUARY 25, 1997

The theme of this year's annual report is *the view ahead*. This Annual Report contains the same detailed analysis of the Mark's Work Wearhouse (MWW) operations you have come to expect. In addition, we have attempted to present our past year's accomplishments and our future opportunities from different points of view: the view as seen by our customers, suppliers, shareholders and staff, as well as our management.

The majority of the financial information and comments in this report pertain to the operation of MWW and L'Équipeur stores (the Company's store name in Quebec). In December, the Company acquired Work World Enterprises Inc. (WWE or Work World). Only two months of the results of the Work World operation are reflected in this year's consolidated results.

The Work World Acquisition

The most significant occurrence of the year was the acquisition, effective December 1, of Work World which operates 150 franchised workwear stores throughout Canada (excluding Quebec). In terms of products, Work World was our largest direct competitor, although the majority of the stores do not compete directly in the same markets as the MWW stores.

Work World stores are just over 2,000 sq. ft. in size and are typically located in shopping centres in smaller markets, while MWW and L'Équipeur 'On Concept' stores tend to be 8,000 to 12,000 retail sq. ft., depending on market size and are typically in destination locations in larger markets.

We plan to operate the Work World stores as a separate division of the Company, focusing on a small store format targeted primarily at smaller markets. This means that the Work World stores will continue to operate under that name, with separate and distinctive assortments, private label products, and marketing.

From a strategic perspective, the acquisition allows both divisions to plan their future locations better in order to maximize market area opportunities. From a future growth perspective, the MWW organization has much to offer the Work World stores in terms of adding value to their operation, in the areas of purchasing, vendor relations, assortment development and store planning. Also, since many of the business requirements are the same for both divisions in areas that are not visible to customers, there are operational synergies that will reduce the operating costs structure of both divisions.

With stores operating under the MWW, L'Équipeur, and Work World banners, Mark's Work Wearhouse Ltd. now operates 291 stores and dominates the workwear sector of men's apparel and footwear retailing in Canada. With a combined market share of over 15% of the men's clothing store business and almost 7% of the men's footwear business, our Company is now the largest specialty store retailer of men's wear in Canada.

Table of Contents

Consolidated Financial Highlights

Summary

This summary provides a brief overview of our Company's progress in fiscal '97. You will find a comprehensive review of operations and complete financial information in the balance of this Annual Report. The Company performed near the top end of its forecast range this past year, delivering a pre-tax profit of $8.3m, the highest in its history.

In a year where men's apparel sales grew by 3.6% (Source: CAMM), and men's specialty stores' sales decreased by 6.1% (Source: Statistics Canada), MWW posted an 11.4% sales increase in its corporate stores. Excluding the Work World sales, as that Company was not acquired until December 1, 1996, MWW is the seventh largest retailer of men's apparel in Canada and the fifth largest retailer of men's footwear in Canada (Source: CAMM and FMI International).

MWW's market share (MWW corporate and franchise stores combined) of the $4.1 billion total men's apparel market in Canada grew from 2.6% to 3.3% (Source: CAMM); 4.8% to 5.0% according to MWW's internal calculations and MWW's market share (MWW corporate and franchise stores combined) of the men's clothing store segment of this total market in Canada grew from 11.5% to 13.1% this past year (Source: Statistics Canada). Also, MWW (MWW corporate and franchise stores combined) grew its market share of the $1.0 billion Canadian men's footwear market from 4.5% to 5.0% (Source: FMI International). MWW is succeeding in sales and profits by continuing to satisfy its loyal customers with an ever-improving merchandise offering, the 'On Concept' store relocation and expansion program, and by improving its traffic-creating marketing programs.

The Company's priorities for fiscal '98 (calendar '97) are to continue to improve its core operations, improve and expand the Work World operation, integrate Work World backline services and determine what works in the U.S.

Fiscal '97 Highlights

- Effective December 1, 1996, the Company acquired the 150 Canadian franchise store operation of Work World for $7.3m.
- The 17 corporate store real estate projects completed this past year accounted for $10.3m or 45.5% of MWW's corporate store sales increase. Four relocated and expanded franchise stores enjoyed a $1.2m or 17.6% sales increase.
- $12.3m or 54.3% of our corporate store sales increase came during our marketing campaigns.
- Closing inventories at $47.46 (per retail sq. ft.) compared to $54.75 the year prior.
- Total expenses were managed to $80.6m ($1.5m under plan).
- A $43.0m operating credit facility and a $7.0m term loan for the Work World acquisition was obtained from the Canadian Imperial Bank of Commerce.
- The Company has become the third largest retailer in denim pants, the third in casual pants and the fifth in sport shirts while remaining the dominant retailer of work apparel and footwear in Canada.

Consolidated Financial Highlights

(dollar amounts in thousands, except per share)	53 weeks ended January 30, 1993	52 weeks ended January 29, 1994	52 weeks ended January 28, 1995
Sales			
Total retail	$190,082	$220,055	$247,768
Franchise	$ 56,629	$ 61,989	$ 66,143
Corporate	$133,453	$158,066	$181,625
Franchise operations pre-tax	$ (1,226)	$ (317)	$ (419)
Number of Retail stores			
Corporate	91	91	94
Franchise	45	43	42
	136	134	136
Pre-tax earnings (loss)	$ (2,746)	$ 1,266	$ 6,515
Net earnings (loss)	$ (2,746)	$ 1,266	$ 6,315
Net earnings (loss) per share	(17)¢	6¢	27¢
Weighted average number of shares outstanding (000's)	15,794	22,392	23,187
Shareholders' equity at end of period	$ 15,667	$ 20,745	$ 28,922
Cash flow from operations	$ 313	$ 6,478	$ 8,354
Current ratio	1.64/1	1.62/1	1.80/1
Total liabilities-to-equity	2.04/1	1.72/1	1.23/1
Average funded debt-to-equity	1.62/1	0.90/1	0.53/1
Rent, computer services and interest on long-term debt coverage	0.70	1.11	1.51
Return on average capital employed	–	14%	27%
Return on average equity	–	7%	25%
Same store sales increase	3%	15%	14%

*The forecast range set by the conservative and optimistic forecasts is based upon management's judgment a
results achieved during the forecast period will inevitably vary from those forecast, and variations may be m

**Includes only 2 month's sales from the 150 Work World stores from December 1, 1996 forward.

52 weeks ended January 27, 1996	52 weeks ended January 25, 1997	Forecast Range* 53 weeks ended January 31, 1998 Conservative	Optimistic
$262,575	$303,756**	$405,109	$420,440
$ 64,313	$ 82,854	$156,751	$164,694
$198,262	$220,902	$248,358	$255,746
$ (10)	$ 991	$ 729	$ 1,375
103	108	115	115
38	183**	192	192
141	291	307	307
$ 6,374	$ 8,310	$ 10,103	$ 11,922
$ 3,117	$ 3,923	$ 4,626	$ 5,842
13¢	16¢	17¢	22¢
24,515	24,976	27,003	27,003
$ 32,154	$ 36,884	$ 44,510	$ 45,726
$ 6,936	$ 8,389	$ 13,354	$ 14,643
1.74/1	1.67/1	1.77/1	1.82/1
1.21/1	1.53/1	1.30/1	1.35/1
0.52/1	0.51/1	0.89/1	0.86/1
1.43	1.46	1.54	1.63
24%	23%	23%	26%
10%	11%	11%	14%
1%	4%	7%	10%

assumptions outlined on page 24, some or all of which may prove incorrect. Accordingly, actual

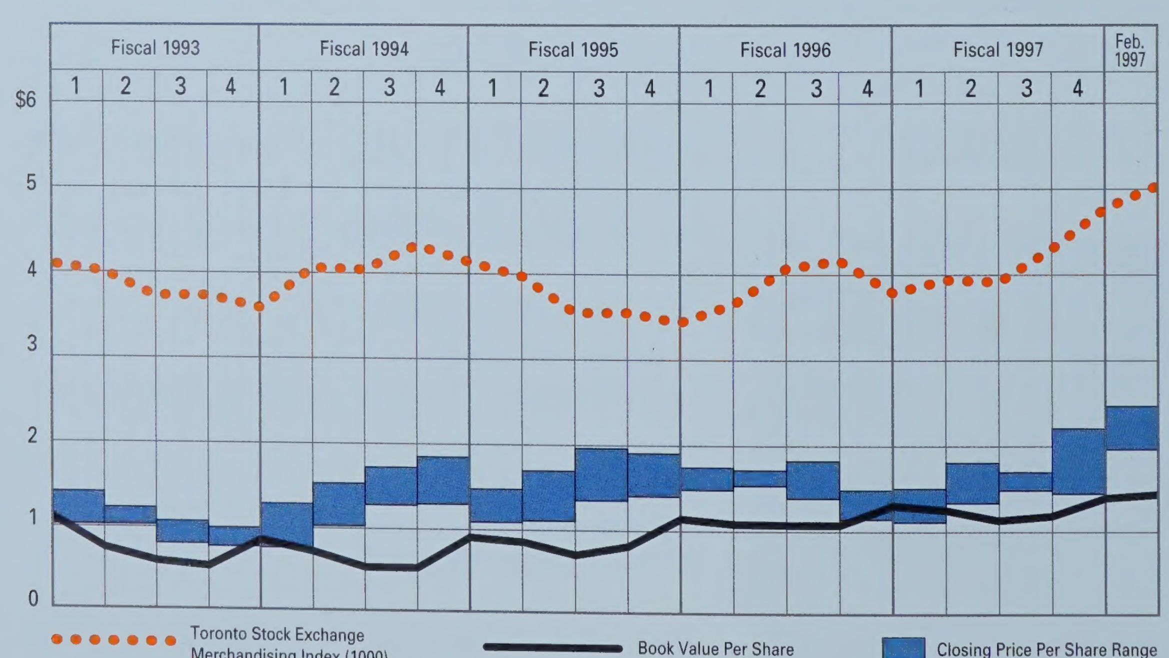
Quarterly Financial Information

(dollar amounts in thousands, except per share)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Fiscal 1997					
Corporate and franchise sales	$ 46,051	$ 53,438	$ 66,187	$138,080	$303,756
Corporate sales	$ 35,932	$ 41,915	$ 51,683	$ 91,372	$220,902
Pre-tax income (loss)	$ (2,156)	$ (2,230)	$ 303	$ 12,393	$ 8,310
Net income (loss)	$ (1,480)	$ (1,318)	$ 8	$ 6,713	$ 3,923
Per share	(6)¢	(5)¢	0¢	27¢	16¢

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Fiscal 1996					
Corporate and franchise sales	$ 43,233	$ 49,911	$ 61,937	$107,494	$262,575
Corporate sales	$ 32,617	$ 37,794	$ 46,321	$ 81,530	$198,262
Pre-tax income (loss)	$ (1,268)	$ (1,742)	$ 169	$ 9,215	$ 6,374
Net income (loss)	$ (749)	$ (1,000)	$ 44	$ 4,822	$ 3,117
Per share	(3)¢	(4)¢	0¢	20¢	13¢

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Fiscal 1995					
Corporate and franchise sales	$ 38,680	$ 46,467	$ 62,290	$100,331	$247,768
Corporate sales	$ 28,188	$ 34,258	$ 45,662	$ 73,517	$181,625
Pre-tax income (loss)	$ (1,894)	$ (2,050)	$ 1,161	$ 9,298	$ 6,515
Net income (loss)	$ (1,894)	$ (2,050)	$ 1,161	$ 9,098	$ 6,315
Per share	(8)¢	(9)¢	5¢	39¢	27¢

Market Value By Quarter



VOLUME OF SHARES TRADED (thousands)

365	1,654	3,337	612	1,371	1,982	1,533	1,630	1,119	593	1,284	1,119	1,966	914	715	2,284	1,055	1,032	3,009	4,860	3,146

Mission Statement

Our Mission is to grow consistently as a mature and stable enterprise known for:

- being the most customer-sensitive and responsive specialty retail organization in the markets in which we operate
- having a people-oriented work environment where our people are allowed the greatest possible freedom to carry out their responsibilities, take ownership of what they do, have fun, learn and earn fair financial rewards
- providing a superior financial return to investors as a result of being customer driven and people oriented

Our Organization

Our organization is divided into two operational areas: front-line and back-line operations. **Front-line operations** represent those activities where the Company's people come face-to-face with customers. Front-line operations are conducted through geographic areas called districts which, in turn, form major regions. Creating these smaller operations places more of the Company's management in direct contact with our customers and enables the Company to be more sensitive and responsive to local market needs.

	Regions	Districts	Corporate Stores	Franchise Stores
Mark's Work Wearhouse	Western Canada	6	41	15
	Ontario	8	44	9
	Quebec/Atlantic*	4	22	9
	U.S. Pilot Store	1	1	–
	4	19	108	33
Work World	1	6	–	150
TOTAL	**5**	**25**	**108**	**183**

*MWW's 14 corporate and 3 franchise stores in Quebec operate under the name L'Équipeur.

Back-line operations are those that do not come face-to-face with customers but which support our employees as they work in the stores. Back-line operations are included in the following departments:

- Customer Service and Human Resources
- Sales and Marketing
- Store Construction and Design
- Purchasing and Sales Management
- Warehouse/Distribution
- Systems
- Finance and Accounting
- Office of the President and CEO

An Overview of our Business

At Mark's, we are focused on providing apparel and footwear to customers who typically do not wear a suit and tie to work. In addition, our merchandise is suitable for those customers who require casual and outdoor clothing and footwear. Our assortments are a blend of quality name brand, private label and captive label products, fairly priced, and presented in large, fully stocked, easily shopped destination stores. In addition to serving our customers, our friendly staff have the technology and capability to play a large role in determining and maintaining their own store's assortments, thereby better satisfying individual market requirements. Seventy percent of our customers are between the ages of 25 and 60, with an equal distribution of professional, office/sales/services, and trades/blue collar.

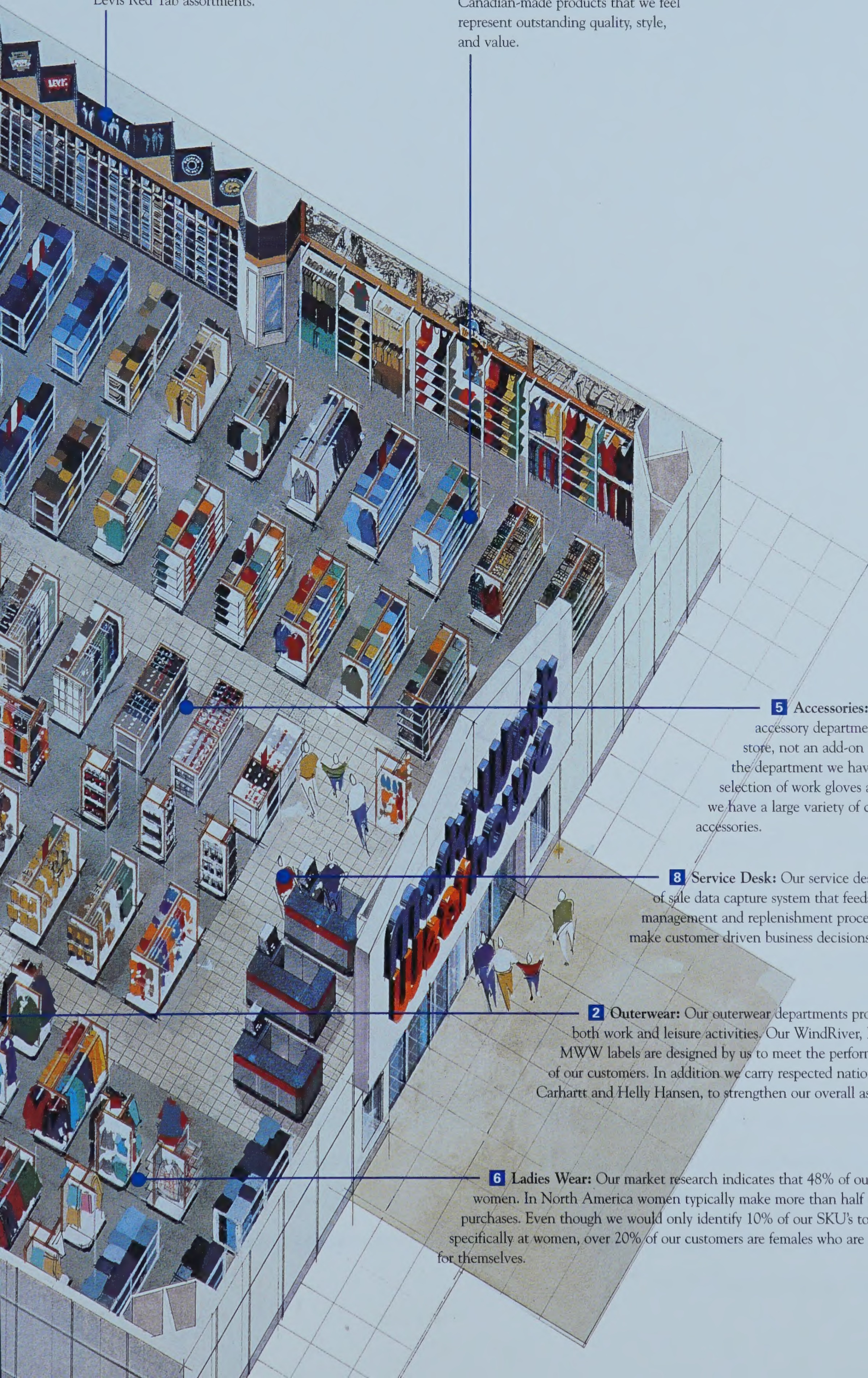
1 Footwear: Close to 20% of our total business is in footwear, and we offer safety as well as outdoor and casual footwear. The majority of our business is done with our house brands, which allows us to meet our customers' demands for function, as well as being style correct. In addition to our house brands, we are proud to sell such well known national brands as Sorels and Prospector.

9 Backroom:
- We have small stockrooms as we utilize a 'suppliers to store direct' distribution system.
- Stock is replenished on the floor as it arrives.
- The in-store computer linking us to the main server for MWW is housed here.

7 Wear for Work: We are also in the custom workwear business, providing specialized and customized apparel and footwear for many business environments, including restaurants, landscaping companies, and golf tournaments as well as oil companies, muffler shops, etc.

4 Bottoms: Two thirds of our bottoms business is done in denim, where we cover the complete range of price points from entry level to Levis. In addition, in bottoms as in all of our categories, we stock a much larger size range than the majority of our competitors. The icons in this department include our MWW denim, our Denver Hayes wrinkle resistant pant, and our Levis Red Tab assortments.

3 Tops: Our tops category represents about 19% of our total business and is primarily a private label business covering good, better, and best price points. Our range of style direction goes from rugged outdoor and workwear orientation to dress casual. We also have a strong presence in T-shirts and fleece, and we are especially proud of our WindRiver Fleece program, Canadian-made products that we feel represent outstanding quality, style, and value.



5 Accessories: We believe that our accessory department is a feature of the store, not an add-on commodity, and within the department we have the nation's best selection of work gloves and socks. As well, we have a large variety of cold weather-related accessories.

8 Service Desk: Our service desks contain a point of sale data capture system that feeds an inventory management and replenishment process that enables us to make customer driven business decisions.

2 Outerwear: Our outerwear departments provide merchandise for both work and leisure activities. Our WindRiver, Denver Hayes, and MWW labels are designed by us to meet the performance and style needs of our customers. In addition we carry respected national brands such as Carhartt and Helly Hansen, to strengthen our overall assortments.

6 Ladies Wear: Our market research indicates that 48% of our customers are women. In North America women typically make more than half of all men's apparel purchases. Even though we would only identify 10% of our SKU's to be directed specifically at women, over 20% of our customers are females who are purchasing for themselves.

point of view: shareholders

Management and the directors of Mark's Work Wearhouse Ltd. believe that our shareholders look to the maintenance and maximization of long-term share value. While many factors affecting share value, such as market forces, cannot be controlled by the Company and its management, many other factors can. Shareholders expect that the Company will meet or exceed stringent performance standards with respect to those factors that can be influenced by the Company.

Two important indicators for long-term share value are the historical performance of the Company and the potential performance of the Company. Historical performance places the Company's performance within the context of industry performance. The assessment of the potential of the Company includes factors such as strategy, quality of management and market niche within the context of external factors.

"Mackenzie Financial is pleased with its investment in Mark's Work Wearhouse. We invested in Mark's in 1992 and ever since then the Company has performed well in an under-performing sector. MWW still has plenty of upside potential with continued sales growth. We are confident in current management and optimistic that the sector as a whole may now start to improve with signs of consumer optimism," *states Tim Gleeson of Mackenzie Financial (the Company's largest shareholder with an 18.8% shareholding).*

"Mark's understands exceptionally well who its potential customers are, and is highly disciplined in serving that specific market. This approach has allowed the company to prosper during the past few years, which have been very difficult for most Canadian retailers, and is expected to contribute to even better results by Mark's in the future," *states Bill Chisholm of Deacon Capital, an analyst who follows the Company closely.*

President's Letter to Shareholders

Retailing is the kind of business where, in order to conduct your operations in a dynamic manner, a large number of decisions are made during the course of the year. To use a baseball metaphor, we get a lot of 'at bats', and sometimes there is satisfaction and sometimes there is disappointment over the results of these 'at bats'.

For MWW, fiscal '97 was a year in which our satisfactions greatly outnumbered our disappointments and we ended the year pleased with our batting average. From a sales perspective, the first half of the year was weak, but the Company's expense and inventory management skills kept us in the game and afforded us an opportunity to stay close to our bottom line targets. When our sales did improve in the fall season, we were able to deliver the best profit performance in our Company's history. We now have achieved steady and consistent profit improvement over the past four years. One of the rewards has been that our share price has nearly doubled since this time a year ago. We are confident that we will continue to improve both our sales and bottom-line growth.

I would like to acknowledge the contribution made by all of our employees, particularly those in front line positions, towards our sales and profit growth this past year. Once again we have outperformed our sector, and the majority of the credit for this must go to those individuals who see our customers on a day to day basis. In addition, we have very good working relationships with our key suppliers of merchandise, services, and financing. We value these partnerships and appreciate their contribution to our ability to grow profitably. We do respect and appreciate our suppliers and our bank.

Highlights of the past year include our strong sales in the second half, and balanced sales growth across all of our business categories. To us, the latter indicates a vote of confidence by our customers in all of our products, and is a sign of stability in our business.

We are pleased with the progress we have made in the Vancouver marketplace, and with the solid sales growth and profit improvement in western Canada. The west led the Company in bottom line improvement for the past year.

In Ontario, we ended with an 11.8% corporate store sales growth and a profit improvement. We consider this good performance in a rugged consumer climate in 1996 (fiscal '97).

In Quebec, we achieved some good top line growth, but are disappointed in our inability to improve profits. In the Maritimes, we struggled for sales in some markets but we managed to outperform the market in total.

Our U.S. pilot store showed encouraging results in the 3rd quarter, our first comparable sales quarter, but these were followed by a poor 4th quarter. The fiscal '97 results of our U.S. pilot store reduced our earnings per share for this year by over 3 cents, and caused us to back away from expansion of this concept to other U.S. markets for the time being. We still believe that the Company has a significant business opportunity in the U.S. However, we will not be expanding there until we are satisfied that we can do so profitably. We are not there yet.

Management's Discussion and Analysis on pages 28 through 41 contain a very detailed look at how the past year unfolded. Our view ahead includes the following opportunities for growth in our business:

- Continued development of the MWW stores to the larger size 'On Concept' format. We now have 69% of the Company converted to this 'On Concept' format, and thus have a good platform from which to conduct our business operations. Our post-audit analysis of these projects supports the continuation of this program.
- Improvement of the productivity of the Work World stores through refinements to merchandise offerings and business practices, and expansion of this concept into the smaller markets where opportunities exist.
- Continued evolution of the merchandise assortments in both companies to capture a significant share of a men's apparel and footwear business that promises to be more attractive than it has been in recent past.

Successful retailers today have many of the same characteristics as the early inhabitants of our nation, who lived in an environment that pressured them daily to survive. These pioneers were proactive in their relationship with that environment and they survived on what they could grow and what they could hunt.

At Mark's, we too are vigilant hunters – for new business opportunities, while at the same time, we carefully cultivate our existing business. That is the view ahead.

Garth Mitchell

Garth Mitchell
President and Chief Executive Officer

our views on performance

Our Company operates on a Performance Based Human Resources Management System. Our purpose is to understand clearly individual roles and assignments and their relationship to the Company's short and long-term results.

Our Human Resources Management System is composed of the following elements:

- Performance Contracting, including Business Objectives and Key Results
- Performance Evaluation
- Compensation
- College of Retail Excellence

"People are our organization's most important asset. They contribute significantly to the Company's competitive advantage."
Linda Mathieson
VP Human Resources

"Having the ability to plan our business from the bottom up allows us to stay close to our customers while enhancing our selection."
Adam Gaiser
Product Manager,
Store 13, Calgary

"I must say the employees not only meet but exceed my expectations in the customer service they provide. They are helpful, knowledgeable, and I have found not only their staff, but their products to be of exceptional quality, which is most important for me."
Claire Wright,
Customer

Human Resources Management

Performance Contracting

Currently, all middle and upper management employees of the Company are involved in the performance contracting process. The Performance Contract has two components: the Business Objective and Key Results.

Business Objective – Individual performance is measured by a target which we call the Business Objective. The individual's Business Objective is negotiated and signed off annually, and ties to our operating budgets which are created through the merchandise planning/budgeting process.

Key Results – To provide incentive for individuals to stretch beyond their Business Objective target, Key Results for each management employee are also negotiated. Key Results are up to four activities that support the individual's Business Objective, but are 'stretch targets', beyond the Company's operating budget. They have been described as causing our "palms to sweat and our hearts to race". They specify bold, dramatic activities that help drive us past our Business Objective. There is no penalty for failing to achieve Key Results – only rewards for success. Winning at our Key Results does not mean achieving every target but rather excellence in our individual effort and 'stretches' in new directions to increase our competitive advantage.

Every employee's performance is evaluated against their Business Objective, Key Results and other criteria. Past and future compensation is tied to this performance and evaluation review.

College of Retail Excellence

This is made up of internal training programs and external courses to help our employees develop new skills and talents to enable them to reach their potential, contribute at their maximum levels and meet the changing needs and expectations of the Company's customers.

The Company's human resources activities are governed by our policies and our code of corporate conduct. In the area of human resources, as well as all operations, the Company is committed to conducting itself in a fair, honest and ethical manner.

Human Resource Management has focused its activities this past year in two areas. The first was the continued development and enhancement of the performance management system first introduced in 1992 and retooled in 1995 (fiscal '96). The second area was the development of leadership skills in our people through courses and programs developed and taught by our in-house College of Retail Excellence.

Also, this past year, the senior management team identified three core corporate values:

- respect for people;
- product integrity; and
- continuous improvement

These core values are the cornerstone of our Human Resource Management System and practices. Underlying all of our performance management work is open, honest and interactive communication between all parties in order to achieve alignment in pursuit of our full corporate potential.

Performance Management System

We know that we must constantly challenge what we do. Continuous improvement is a way of life in our Company. We want each individual to find opportunities for constantly challenging and improving his/her personal performance and we also want people to work in teams to determine ways to achieve higher

standards of performance. Part 1 of the re-tooled Performance Management System was introduced last year with emphasis on performance planning and monitoring, performance evaluation, performance development and employee compensation. Part 2 of the re-tooled Performance Management System was introduced this year, with an emphasis on awards and incentives as well as on the creation and maintenance of a work environment designed to support the accomplishment of our goals. Our stores will receive a monthly 'Customer Care Report' which will provide them with valuable feedback and coaching on how actual customer shopping experiences in our stores compare to specific standards of customer care. In addition, a 'balanced scorecard' concept will be introduced in 1997 (fiscal '98) to help our store operators track not only traditional financial measurements but also key operational measurements on such items as customer satisfaction, internal processes and learning/improvement activities.

Leadership Development

Our people are critical to our success. Our leadership behaviors must communicate respect, encouragement and support to attract and retain people who perform effectively while providing our employees with challenges and opportunities for development. We encourage all of our employees to develop the leadership characteristics and behaviors that will help them achieve their full potential by matching their talents with the roles to be performed. Programs from the Covey Leadership Center were introduced this past year as a means of developing a common language and conceptual framework. These principles can help us to individually as well as collectively achieve superior levels of quality, productivity, profitability and employee satisfaction. The goals of excellence introduced in this program are also reflected in our Learning To Lead and Coaching For Excellence courses launched last year. Our investment in training and development continues to be a substantial one, in support of our people having careers, not jobs. We believe that education will help us to strengthen our competitive advantage against the challenges we continue to encounter in the marketplace.

Work World Acquisition

We are very happy to welcome the franchisees and employees of Work World and look forward to supporting their human resource needs. The integration of our human resource management systems and practices will provide a strong foundation for successful joint operations.

The key to successful human resource leadership lies in continually asking ourselves where we want to be in the future and determining how we get there. We must continuously implement new methods to anticipate, serve and satisfy our customers' needs. We are committed to remaining able to compete successfully in an increasingly dynamic business environment requiring each of us to change, in order to secure and advance our competitive advantage. We must offer our employees an energizing yet consistent and equitable environment in which to work. Corporate Human Resources at MWW strives to provide direction and support while encouraging local initiatives and options. This 'tight-loose' fit is no small accomplishment but it is one to which we are firmly committed. It is clear that our employees collectively represent the knowledge, energy, and creativity that is our future.

Senior Management Performance

Senior Officers	Business Objective Fiscal 1997	Fiscal 1997 Business Objective Result
Garth Mitchell, President and CEO	■ To produce a pre-tax profit of $9.0m or greater.	■ A pre-tax profit of $8.3m was achieved.
Michael Lambert, CFO	■ To maintain a 12-month rolling funded debt-to-equity ratio below .75-to-1 while financing operations and obtaining $4.0m of long-term debt or capital lease financing, net of long-term debt repayments.	■ The 12-month funded debt-to-equity ratio was .51-to-1 and $10.5m of term-debt and capital lease financing was obtained.
Paul Wilson, Sr. VP, Sales and Marketing Paul was promoted to Sr. VP, Sales and Marketing in December, 1996. During the past year, Paul was General Manager, Western Canada.	■ To produce a net front-line contribution of $10.6m or greater in MWW's Western Canada region.	■ A net front-line contribution of $11.8m was achieved.
Rick Harrison, Sr. VP, Merchandising	■ To produce $86.4m in gross profit in the Company's Canadian retail operations and achieve a 15% improvement in the Canadian retail operations' inventory turns when compared to the prior year.	■ The Canadian retail operations' gross profit was $83.6m. The Canadian retail operations' inventory turns improved by .14 turns or 6.5%.
John Murphy, Sr. VP, Treasurer & Secretary	■ To deliver total Canadian operations expenses (both front-line and back-line) at or below the budget; and total Canadian operations cash flow at or above the budget. In addition, should sales fall below plan, manage variable expenses (as defined) to their budgeted rate and non-variable expenses (as defined) to the operating budget amount.	■ Total Canadian operations expenses (both front-line and back-line) were delivered some $2.3m below the budget and Canadian operations total cash flow was delivered some $11.3m above the budget.
David Manuel, General Manager, Ontario	■ To produce a net front-line contribution of $11.6m or better in the Company's Ontario region which included the U.S. pilot store.	■ A net front-line contribution of $10.6m was achieved.
Jim Killin, General Manager, Quebec/Atlantic	■ To produce a net front-line contribution of $3.2m or better in the Company's Quebec/Atlantic region.	■ A net front-line contribution of $1.5m was achieved.
Dale Trybuch, General Manager, Western Canada Dale was promoted from District Manager, B.C. to General Manager, Western Canada in December, 1996.	■ During fiscal January, 1997 Dale's business objective was not published.	■ N/A
Colin Laker, General Manager, Work World Colin was promoted to General Manager, Work World in December, 1996. During the past year, Colin was Vice-President, Systems.	■ To get auto replenishment up and running so that the Company could achieve its budgeted sales increase while operating with 10% less inventory per average retail sq. ft.	■ During the past year, inventory per average retail sq. ft. was reduced by 13.3% but auto replenishment is not yet up and running.

Business Objective Fiscal 1998	Fiscal 1998 Key Results and Fiscal 1997 Key Results Achieved
■ To produce pre-tax profit of $12.0m or greater.	■ 1. Increase share value to over $3.00 per share by March 31, 1998. ■ 2. Define a U.S. expansion formula for implementation in 1998 (fiscal '99). ■ Two of two fiscal '97 Key Results were achieved.
■ To maintain a 12-month rolling funded debt-to-equity ratio, exclusive of computer capital leases below .75-to-1 while obtaining $5.0m of new term debt, equity or capital lease financing.	■ 1. Integration of the Work World back-line activities into the MWW back-line activities. ■ 2. Deliver back-line costs at 5% below the Company's operating budget. ■ Two of three fiscal '97 Key Results were achieved.
■ Deliver sales of $253.9m and a net front-line contribution of $30.0m from the MWW Canadian retail operations.	■ l. During MWW's six weeks of fall 1997 television, draw in an additional 100,000 customers to MWW stores. ■ 2. Deliver $2.7m of front-line contribution in MWW's Quebec/Atlantic region. ■ Three of three fiscal '97 Key Results were achieved.
■ To generate $98.5m in gross margin dollars and an inventory turnover rate of 2.4 turns in the MWW Canadian retail operations.	■ 1. To generate a 1% improvement over the prior year in the purchase markup on sales in the MWW Canadian retail operations. ■ 2. To increase the higher margin offshore letter of credit merchandise purchases from $5.3m to $8.0m. ■ 3. To provide the Work World division with $3.5m worth of new product. ■ None of three fiscal '97 Key Results were achieved.
■ Deliver total expenses for consolidated operations at or below the operating budget' and total cash flow for the consolidated Company at or above the operating budget. Should sales fall below plan, manage variable expenses (as defined) to their budgeted rate and non-variable expenses (as defined) to the operating budget amount.	■ 1. Get operating line renewed at more favorable terms. ■ 2. Deliver $775,000 of cash discounts from the Company's merchandise suppliers. ■ 3. Manage bad debts on MWW franchises receivables to $100,000 or less. ■ One of two fiscal '97 Key Results was achieved.
■ To produce a net front-line contribution of $14.4m or better in the Company's Ontario region.	■ 1. In Ontario, deliver a 25% sales increase in footwear in fall 1997 over fall 1996. ■ 2. Deliver a 30% sales increase in business account sales in fiscal '98 over fiscal '97. ■ The single fiscal '97 Key Result was not achieved.
■ To deliver a net front-line contribution of $4.2m or better in the Company's Quebec/Atlantic region.	■ 1. Achieve sales of $2.0m or more in the new store planned for Repentigny. ■ 2. Deliver a front-line contribution above plan in Quebec/Atlantic. ■ 3. Participate with the Retail Council of Canada and other national retailers in the lobbying of the Federal government to have the HST (Atlantic Canada Harmonized GST and sales tax) regulations in Atlantic Canada amended so that the Company does not have to incur the very high cost of tax inclusive pricing. ■ One of three fiscal '97 Key Results was achieved.
■ To deliver a net front-line contribution of $13.8m or better in the Company's Western Canada region.	■ 1. Deliver sales of $21.8m from MWW corporate stores in MWW's B.C. district. ■ 2. Get a 75% customer approach rating in MWW's Western Canada region. ■ 3. Deliver a gross margin rate improvement in the Western Canada region in excess of the gross margin rate improvement in the total Canadian operations. ■ There is no reporting on fiscal '97 Key Results.
■ To deliver $100.0m in sales with a pre-tax profit of $1.3m in the Work World division of the Company.	■ 1. Open 10 (net) new Work World stores in fiscal '98. ■ 2. Have developed private label programs for Work World that have increased margin for Work World franchisees and yield MWW's $100k in product surcharge revenue. ■ 3. Deliver Work World expenses at $100k below budget while achieving $100m in sales to net $100k more in pre-tax bottom line. ■ None of the three fiscal '97 Key Results were achieved.

view on commitment

corporate goals

The Company's goals are in two categories: operational and financial. Operational goals are monitored by the Company to ensure it is progressing towards the achieving of its Strategic Plan and its Mission. Operational goals and other indicators also provide data that can be benchmarked against others in the industry. The financial goals are set and monitored to ensure that while the Company is aggressively pursuing its Strategic Plan and Mission, it is still being financed conservatively and is providing a superior return to its investors.

"In 1997 we will continue our program of putting stores 'On Concept' with 21 planned real estate projects including eight new stores. Over the past three years, the 'On Concept' program has produced most of our sales growth.
Our marketing will become more focused in fiscal '98 with a continued emphasis on local market decision makers influencing our distribution and promotional assortments. Also, this fall, we will be introducing a new television campaign designed to introduce even more Canadians to MWW stores."
Paul Wilson
Senior VP, Sales and Marketing

"The ongoing role of the merchandising department is to provide relevant merchandise of consistently high quality to our stores enabling them to achieve their sales and margin requirements. We are proud of the quality standards we've set and met and owe much to our supplier partners for this achievement."
Rick Harrison
Senior VP, Merchandising

"One of the core values at MWW is continuous improvement – doing better tomorrow what we did well today. This can be seen in all aspects of the business including asset and expense management.
In fiscal '98, through our investment in technology and a disciplined approach to business processes, we will continue to reduce our investment in working capital per square foot while providing ever better customer service."
Mike Lambert
Chief Financial Officer

Table of Operational Goals

	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal '98 Optimistic Forecast*	Fiscal 2002
Goal 1: Sales per average retail sq. ft.					
Goal	$255	$255	$255	$260	$300
Actual	$289	$268	$249	$254	N/A
Total retail sq. ft. of stores with sales greater than $300 per sq. ft.	222,974	190,043	235,146	216,138	N/A
Number of stores with sales greater than $300 per sq. ft.	34	28	31	29	N/A
Goal 2: Gross margin return on investment					
Goal	1.5	1.5	1.5	1.8	2.3
Actual	1.6	1.4	1.6	1.7	N/A
Goal 3: Front-line contribution as a percent of corporate store sales district by district					
Goal	10.0%	10.0%	10.0%	10.0%	12.0%
Actual					
Western Canada	9.9%	10.0%	11.3%		
Ontario	13.0%	11.7%	10.8%		
Quebec/Atlantic	3.2%	4.9%	0.5%		
Total MWW Canada	10.3%	9.9%	9.4%		
MWW U.S.	N/A	(64.4%)	(52.8%)		
Consolidated	10.3%	9.6%	8.9%	9.6%	N/A
Goal 4: Work World franchises pre-tax income as percent of franchise sales					
Goal	N/A	N/A	N/A	1.5%	2.5%
Actual	N/A	N/A	N/A	1.3%	N/A
Goal 5: MWW franchises					
Franchise royalties less franchise bad debts as percent of franchise sales					
Goal	5.0%	5.0%	5.0%	6.0%	6.5%
Actual	5.0%	5.7%	6.4%	6.1%	N/A

N/A Not available or not applicable.

*The reader is cautioned that all of the forecast data is based upon management's judgment and on assumptions outlined on page 24 some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast, and variations may be material.

Table of Other Indicators

MWW Corporate Store Operations Only

	Fiscal '95	Fiscal '96	Fiscal '97	Fiscal '98 Optimistic Forecast*
Customer service				
WOW's	101	84	102	100
Customer Service Requisitions	181,355	143,000	155,000	135,000
"How Did We Do?" cards	4,152	4,862	3,440	4,000
Payroll management (number of staff at fiscal year end)				
Front-line staff – full time	312	338	343	352
Front-line staff – part time	1,321	1,159	1,357	1,456
Back-line staff – full time	102	122	111	116
Back-line staff – part time	41	38	15	15
	1,776	1,657	1,826**	1,939**
Number of full-time equivalents	840	950	943	1,008
Sales dollars per full-time equivalent	$216,000	$208,000	$234,000	$254,000
Average sales per hour paid	$141.87	$136.17	$152.33	N/A
Sales per $ of salary (excluding benefits)				
Selling	$18.41	$17.93	$19.90	$17.31
Total	$ 9.07	$ 9.20	$ 9.04	$ 9.26
% of front-line staff that is part time	80.9%	77.4%	79.8%	80.5%
% of total staff that is back-line	8.1%	9.7%	6.9%	6.8%
Management payroll				
Front-line management salaries	$ 3,812,775	$ 4,502,305	$ 5,095,283	$ 5,392,449
Back-line management salaries	$ 3,460,211	$ 3,918,344	$ 4,070,380	$ 4,239,835
Total management salaries (including benefits)	$ 7,272,986	$ 8,420,649	$ 9,165,663	$ 9,632,284
Total management bonus	$ 1,384,645	$ 369,267	$ 1,525,629	$ 1,600,000
Total management payroll	$ 8,657,631	$ 8,789,916	$10,691,292	$11,232,284
Total management salaries as a percentage of corporate store sales	4.8%	4.4%	4.8%	4.4%
% of total management salaries – front line	52.4%	53.5%	55.6%	56.0%
% of total compensation – bonus-based	16.0%	4.2%	14.3%	14.2%
% change of total management compensation	13.6%	1.5%	21.6%	5.1%
Advertising as a percentage of corporate store sales	4.5%	4.0%	4.3%	4.5%
Front-line occupancy costs as a percentage of corporate store sales	7.5%	8.0%	8.9%	8.9%
Front-line occupancy costs per average retail sq. ft.	$21.79	$21.42	$22.46	$22.93
Total retail sq. ft. at fiscal year end	657,775	814,977	927,972	1,052,850
Number of corporate stores 'On Concept'				
– number	37	56	74	91
– percentage	39.4%	54.4%	68.5%	79.1%
Average $ per transaction (corporate stores)	$54.53	$57.48	$60.10	N/A
Corporate stores' market share of men's clothing stores market	7.1%	9.0%	10.2%	N/A

N/A Not available.

*The reader is cautioned that all of the forecast data is based upon management's judgment and on assumptions outlined on page 24, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

**Excludes 34 Work World staff in fiscal '97 and 12 Work World staff in fiscal '98.

Financial Goals

Following is a report card on how the Company is performing against its seven financial goals.

GOAL 1: To earn a 2% after-tax profit on total corporate and franchise store sales.

(thousands of dollars, except percentage items)	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998 (Forecast Range)*	
				Conservative	Optimistic
Corporate and franchise store sales	247,768	262,575	303,756	405,109	420,440
Net income	6,315**	3,117	3,923	4,626	5,842
After-tax profit return on total sales	2.5%**	1.2%	1.3%	1.1%	1.4%

**The Company was not taxable in fiscal '95.

GOAL 2: To provide a return on capital employed in excess of 20% and a return on average equity in excess of 15%.

(thousands of dollars, except for per share and percentage items)	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998 (Forecast Range)*	
				Conservative	Optimistic
Average capital employed	27,924	34,175	43,775	56,297	58,115
E.B.I.T.	7,654	8,046	10,159	13,029	14,998
Return on average capital employed	27.4%	23.5%	23.2%	23.1%	25.8%
Average equity	24,834	30,538	34,519	40,697	41,305
Return on average shareholder's equity	25.4%**	10.2%	11.4%	11.4%	14.1%
Book value per share	1.19	1.31	1.45	1.65	1.69

**The Company was not taxable in fiscal '95.

GOAL 3: To maintain a total liabilities-to-equity ratio of no greater than 1.75-to-1 at the Company's fiscal year end, and to have a 12-month rolling average total funded debt-to-equity ratio below .75-to-1, exclusive of computer capital leases.

(thousands of dollars, except for ratios)	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998 (Forecast Range)*	
				Conservative	Optimistic
Total liabilities	35,619	38,903	56,262	57,730	61,723
Equity	28,922	32,154	36,884	44,510	45,726
Total liabilities-to-equity ratio	1.23/1	1.21/1	1.53/1	1.30/1	1.35/1
Average funded debt-to-equity ratio	0.53/1	0.52/1	0.51/1	0.89/1	0.86/1
Average funded debt-to-equity ratio exclusive of computer capital lease debt	N/A	N/A	N/A	0.81/1	0.79/1

GOAL 4: To maintain a current ratio of not less than 1.50-to-1 at the Company's fiscal year end.

(thousands of dollars, except for ratios)	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998 (Forecast Range)*	
				Conservative	Optimistic
Current assets	56,074	57,101	70,377	75,525	80,734
Current liabilities	31,217	32,769	42,154	42,618	44,326
Working capital	24,857	24,332	28,223	32,907	36,408
Current ratio	1.80/1	1.74/1	1.67/1	1.77/1	1.82/1

*The forecast range set by the conservative and optimistic forecasts is based upon management's judgment and on assumptions outlined on page 24, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

GOAL 5: To restrict unfinanced capital expenditures to no more than the amount that results in at least a 1.1 times coverage for fiscal 1996 and prior years and thereafter a 1.30 times coverage of [EBITD + amortization + rents + CAM – unfinanced capital expenditures] ÷ [interest + rents + CAM + scheduled annual principal repayments of long-term debt].

(thousands of dollars, except for times coverage)	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998 (Forecast Range)* Conservative	Optimistic
EBITD & amortization & rents (including CAM)	21,467	24,347	30,934	39,383	41,174
Capital expenditures	4,180	7,606	5,923	11,173	11,173
Financing of capital expenditures including capital lease financing	–	1,371	3,509	10,285	12,911
Unfinanced capital expenditures	4,180	6,235	2,414	888	(1,738)
Interest & rents (including CAM) plus scheduled annual principal repayments of long-term debt	12,588	15,110	20,487	25,770	26,127
Times coverage	1.37	1.20	1.39	1.49	1.64

GOAL 6: To maintain rent, computer services and interest on long-term debt coverage in the range of 1.50-to-1.75 times until fiscal 2000 and 1.75-to-2.00 thereafter.

(thousands of dollars, except for times coverage)	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998 (Forecast Range)* Conservative	Optimistic
Earnings from operations before income taxes, rent, interest on long-term debt and computer services	19,200	21,067	26,406	28,685	30,832
Rent, interest on long-term debt and computer services	12,685	14,693	18,097	18,583	18,911
Times coverage	1.51	1.43	1.46	1.54	1.63

GOAL 7: To achieve back-line costs excluding interest of less than 6% of total retail sales (corporate store and franchise store sales combined) and to less than 5% of total retail sales from fiscal '98 forward.

(thousands of dollars, except for times coverage)	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998 (Forecast Range)* Conservative	Optimistic
Total retail sales	247,768	262,575	303,756	405,109	420,440
Back-line costs, excluding interest	16,093	16,585	15,753	18,336	18,913
Back-line costs as a percentage of:					
Total retail sales	6.5%	6.3%	5.2%	4.5%	4.5%

As of January 25, 1997, the Company is meeting two of its four operational goals (the fifth operational goal on Work World franchise operations does not go into effect until fiscal '98) and four of its seven financial goals.

*The forecast range set by the conservative and optimistic forecasts is based upon management's judgment and on assumptions outlined on page 24, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

strategic
plan update

The addition of the 150 Work World store franchise operations in December 1996 has changed considerably the direction and substance of the Company's previous strategic plan. The Company's future direction now has three primary components.

First, we will continue converting all MWW and L'Équipeur stores in Canada to our larger size 'On Concept' format. In the short and medium term, after the eight new stores and 13 renovated or relocated stores planned for fiscal '98, we anticipate that net new stores will increase by about three a year, and we will renovate or relocate about four stores a year.

Second, we will continue to seek franchisees for the Work World division. We have identified opportunities to add 45 stores to this division over the next five years. We will also be working to increase the average store size from just over 2,000 sq. ft. to 3,000 sq. ft.

Finally, we remain optimistic we can grow our U.S. division. We will take another year of adjusting our store size, assortments and procedures before quantifying what we expect that growth to be.

the view ahead

Excerpts from the Strategic Plan –

Master Targets**

(dollar amounts in thousands except share price)	Owner	Actual January 1995	Actual January 1996	**Actual January 1997**	January 1998**	January 1999**	January 2000**
MWW corporate and franchise sales	Paul Wilson	$247,768	$262,575	**$281,584**	$320,449	$348,000	$370,000
Work World franchise sales	Colin Laker	N/A	N/A	**$ 22,172***	$ 99,991	$113,000	$125,000
# of MWW corporate stores	Paul Wilson	94	103	**108**	115	119	122
# of MWW franchise stores	Paul Wilson	42	38	**33**	32	32	32
# of Work World franchise stores	Colin Laker	N/A	N/A	**150**	160	170	180
MWW gross profit rate	Rick Harrison	36.8%	37.1%	**38.0%**	38.8%	39.1%	39.4%
MWW franchise royalties	Paul Wilson	$ 4,299	$ 4,266	**$ 4,004**	$ 4,219	$ 4,300	$ 4,400
Work World franchise royalties and initial franchise fees	Colin Laker	N/A	N/A	**$ 962***	$ 4,221	$ 5,300	$ 6,000
MWW total payroll % of corporate sales	Mike Lambert	12.3%	12.7%	**12.5%**	12.1%	11.9%	11.8%
MWW advertising % of corporate sales	Paul Wilson	4.5%	4.0%	**4.3%**	4.5%	4.8%	4.8%
Total expenses % of corporate sales	John Murphy	35.6%	36.0%	**36.5%**	37.4%	35.9%	35.6%
Share price	Garth Mitchell	$1.70	$1.25	**$1.97**	$3.00	$4.00	$5.00
Average funded debt-to-equity	Mike Lambert	.53/1	.52/1	**.51/1**	.86/1	N/A	N/A
MWW year end inventory at retail	Rick Harrison	$ 67,900	$ 81,400	**$ 81,600**	$ 92,500	$101,000	$108,500
Capital expenditures	Michel St. Jean	$ 4,180	$ 7,606	**$ 5,923**	$ 11,173	$ 7,100	$ 7,800
MWW year end average store size	Michel St. Jean	6,998	7,912	**8,592**	9,155	9,339	9,474
Work World year end average store size	Colin Laker	N/A	N/A	**2,267**	2,356	2,435	2,506

N/A Not applicable or not available.
* Two months activity only in fiscal '97.
** The master targets are based upon management's judgement and on assumptions some or all of which may prove incorrect. Accordingly, actual results achieved in future years will inevitably vary from the master targets and variations may be material.

Forecast

Earnings per common share, for the 53 weeks ending January 31, 1998, are forecast to be in the range of 17 to 22 cents per share.

This forecast range represents, in management's judgment, the most likely set of conditions and the Company's most likely course of action. The reader is cautioned that some assumptions used while preparing our forecast range, although considered reasonable at the time of preparation, may prove to be incorrect. The actual results achieved during the forecast period will inevitably vary from the forecast range and variations may be material.

The Company completed this forecast range on March 26, 1997. The quarterly financial reports issued by the Company to its shareholders during the forecast year will contain either a statement that there are no significant changes to be made to the forecast range, or an updated earnings per share forecast range accompanied by explanations of significant changes. The reader is further cautioned that the fourth quarter of the year continues to produce approximately 40% of the Company's annual sales and the majority of its annual profits and, as a consequence, the Company could report being within, above or below the forecast range up to the end of the third quarter and still have a material variation to report for the year once fourth quarter results become known.

Key Assumptions

(dollars in thousands, except sales per retail sq. ft.)	Actual 52 weeks ended January 25, 1997	Forecast Range (unaudited) 53 weeks ended January 31, 1998	
		Conservative	Optimistic
Total sales increase – MWW corporate stores	11.4%	12.4%	15.8%
Total sales increase (decrease) – MWW franchise stores	(5.6%)	2.6%	6.6%
Total sales – Work World franchise stores	$22,172*	$94,510	$99,991
Same store sales increase – MWW corporate stores	4.2%	7.5%	10.1%
Same store sales increase – MWW franchise stores	4.4%	5.4%	9.6%
Number of new MWW Canadian corporate store openings	5	8	8
Sales from new MWW Canadian corporate store openings during year	$ 6,074	$10,441	$11,018
Number of MWW Canadian corporate store expansions,	12	13	13
relocations, refurbishments and sales therefrom	$25,246	$29,006	$30,030
Number of Canadian corporate store closings	3	1	1
and sales therefrom	$623	$752	$752
Sales per retail sq. ft. (MWW corporate stores)	$249***	$248***	$254***
Number of MWW franchise stores at year end	33	32	32
Number of Work World franchise stores at year end	150	160	160
Number of MWW franchise stores converted to corporate	3	NIL	NIL
and sales therefrom	$ 4,793	NIL	NIL
Number of MWW franchise store closings	2	1	1
Number of Work World franchise store closings	7	2	2
Gross margin rate	38.0%	38.8%	38.8%
Inventory turnover	2.3	2.3	2.4
Capital expenditures	$ 5,923	$11,173**	$11,173**
Operating line – interest rates	8.5%	6.6%	6.6%
Long-term debt financing	$10,509	$10,285**	$12,911**
Front-line expenses as a percent of corporate store sales	29.1%	29.8%	29.1%
Advertising investment in awareness campaign	NIL	$2,000	$2,000
Back-line expenses excluding interest as a percent of corporate and franchise store sales	5.2%	4.5%	4.5%

*Two month's activity only in fiscal '97

**Includes assuming $6.2m of computer capital leases and computer capital lease debt. See Note 16(b) of the Consolidated Financial Statements.

***Calculated on stores open and at the same size for an entire season. The Company divides the year into two seasons. Spring – February through July; Fall – August through January.

Consolidated Statements of Earnings

(in thousands, except per share)	Actual 52 weeks ended January 25, 1997	Forecast Range (unaudited) 53 weeks ended January 31, 1998	
		Conservative	Optimistic
Total sales	$303,756	$405,109	$420,440
Franchise sales	82,854	156,751	164,694
Corporate sales	220,902	248,358	255,746
Cost of sales	136,933	152,063	156,593
Gross margin	83,969	96,295	99,153
Front-line expenses	64,199	74,007	74,512
Front-line contribution	19,770	22,288	24,641
Franchise royalties	4,966	8,069	8,440
Net front-line contribution	24,736	30,357	33,081
Back-line expenses	16,426	20,254	21,159
Earnings before taxes	8,310	10,103	11,922
Income taxes	4,387	5,477	6,080
Net income	$ 3,923	$ 4,626	$ 5,842
Earnings per share	16¢	17¢	22¢
Weighted average number of shares outstanding	24,976	27,003	27,003

Consolidated Balance Sheets

(in thousands)	Actual as at January 25, 1997	Forecast Range (unaudited) as at January 31, 1998	
		Conservative	Optimistic
Assets			
Current assets			
Cash and short term investments	$ 11,749	$ 11,774	$ 16,897
Inventories	44,040	49,340	49,340
Other	14,588	14,411	14,497
	70,377	75,525	80,734
Other assets	793	887	887
Capital assets	14,608	18,928	18,928
Goodwill	7,368	6,900	6,900
	$ 93,146	$102,240	$107,449
Liabilities			
Current liabilities	$ 42,154	$ 42,618	$ 44,326
Long-term debt	11,952	12,401	14,613
Deferred gain	682	580	580
Deferred income taxes	1,474	2,131	2,204
	56,262	57,730	61,723
Shareholders' equity			
Capital stock	28,577	31,577	31,577
Retained earnings	8,307	12,933	14,149
	36,884	44,510	45,726
	$ 93,146	$102,240	$107,449

Consolidated Statements of Cash Flow

(in thousands)	Actual 52 weeks ended January 25, 1997	Forecast Range (unaudited) 53 weeks ended January 31, 1998	
		Conservative	Optimistic
Cash generated (deployed)			
Operations	$ 8,389	$ 13,354	$ 14,643
Working capital	5,474	(7,880)	(6,465)
Investing	(12,766)	(11,173)	(11,173)
Financing	10,567	5,724	8,143
Net cash generated	$ 11,664	$ 25	$ 5,148

Post Mortem
on the Prior Year's Forecast Range

Consolidated Statements of Earnings

During the fiscal year ended January 25, 1997, the Company generated total corporate and franchise sales of $303.8m some $12.2m above its forecast range, primarily because of the unplanned $22.2m of post-acquisition Work World sales. Ignoring Work World post-acquisition sales, MWW corporate and franchise sales came in at $281.6m some $2.7m above the conservative end of the forecast range and some $10.0m below the optimistic end of the forecast range. The Company's corporate store sales alone came in at $220.9m some $0.7m below the conservative end of the forecast range and some $8.8m below the optimistic end of the forecast range. During the first three quarters of the year, while the Company's corporate store sales were coming in below the conservative end of the forecast range for corporate store sales, the Company was able to stay within its forecast range at the bottom line by generating a better gross margin rate than forecast and by aggressive expense management. In the fourth quarter of the year, corporate store sales were strong and exceeded the optimistic end of the forecast range for corporate store sales.

The actual gross margin rate for the year came in at 38.0% compared to a forecasted gross margin rate in the range of 37.4% to 37.6%. This produced $84.0m of gross margin dollars, some $1.0m above the conservative end of the forecast range and some $2.5m below the optimistic end of the forecast range. Despite the unplanned addition of $0.4m in expenses as a result of the Work World acquisition, total expenses were managed to $80.6m some $0.3m above the conservative end of the forecast range and some $1.5m below the optimistic end of the forecast range. Franchise royalties on the MWW franchise stores were close to the optimistic end of the forecast range. The unplanned Work World post acquisition royalties caused total franchise royalties to come in some $0.9m above the optimistic end of the forecast range.

The net result of all of the above was a pre-tax income amount of $8.3m, almost at the optimistic end of the forecast range as shown by the following table:

(in thousands)	Year Ended January 25, 1997		
	Conservative Forecast	**Actuals**	Optimistic Forecast
Corporate and franchise store sales	$278,877	**$303,756**	$291,576
Deduct: Franchise store sales	57,319	**82,854**	61,825
Corporate store sales	221,558	**220,902**	229,751
Gross margin	82,946	**83,969**	86,445
Expenses	80,331	**80,625**	82,117
Franchise royalties	3,730	**4,966**	4,084
Pre-tax income	$ 6,345	**$ 8,310**	$ 8,412

The after-tax net income was $0.5m below the optimistic end of the forecast range as the Company could not tax affect its loss on its U.S. pilot store, thus creating a higher than planned tax rate.

Consolidated Balance Sheets

During fiscal '97, the Company focused on inventory management and brought its year end inventory in at $44.0m some $3.4m below the forecast range of $47.4m to $49.9m. This was accomplished while increasing the average retail sq. ft. throughout the year by 18.7% and the year-over-year closing retail sq. ft. by 13.9%. Thus, inventory turns of 2.25 times were better than the forecast range of 2.02 to 2.19 times. The Company ended the year with some $14.6m of capital assets, $2.3m above the forecast as it spent more than forecast on capital expenditures. Actual store real estate activity during fiscal '97 did not vary significantly from the forecast as the following table shows:

	Year Ended January 25, 1997		
	Conservative Forecast	**Actuals**	Optimistic Forecast
Number of new store openings	3	**5**	3
Number of corporate store expansions/relocations/refurbishments	14	**12**	14
Number of franchise stores converted to corporate stores	3	**3**	3
	20	**20**	20

However, an unplanned relocation of one of the converted franchise stores occurred and the actual stores opened, relocated or refurbished in a few cases were different from the ones planned, because of leasing matters; therefore, the actual cost mix varied from the forecasted cost mix. The Company's balance sheet also reflects $7.4m of goodwill at January 25, 1997, mostly as a result of the unforecasted Work World acquisition. At year end, the Company's working capital of $28.2m is within the forecast range of $27.3m to $28.5m. The current ratio would have been within the forecast range if the $11.7m of cash had been applied to the current liabilities.

The total liabilities-to-equity ratio came in at 1.53-to-1 compared the forecast range of 0.97-to-1 and 1.11-to-1 primarily because of the $7.0m of long-term debt that was added in December, 1996 to finance the Work World acquisition and the timing of the application of cash to current liabilities as noted above.

Consolidated Statements of Cash Flow

Net cash generated during the year was $11.7m compared to a forecasted cash deployment in the range of $0.2m to $12.3m. This occurred because the Company's improved inventory management, including later delivery dates which pushed back the timing of the application of cash to current liabilities, caused the Company's change in non-cash working capital to be a $5.5m source of cash, rather than $8.3m to $19.8m use of cash as had been forecasted. Ignoring the Work World acquisition, long-term debt financing, net of repayments, was $0.4m less than forecast and investing was $0.7m more than forecast.

Management's Discussion and Analysis

Consolidated Statements of Earnings

Sales

MWW's 11.4% corporate store sales growth (11.2% for Canadian corporate stores) in fiscal '97 over fiscal '96 compares to Statistics Canada's analysis of retail sales growth in calendar 1996 over calendar 1995 as shown in Graph 1.

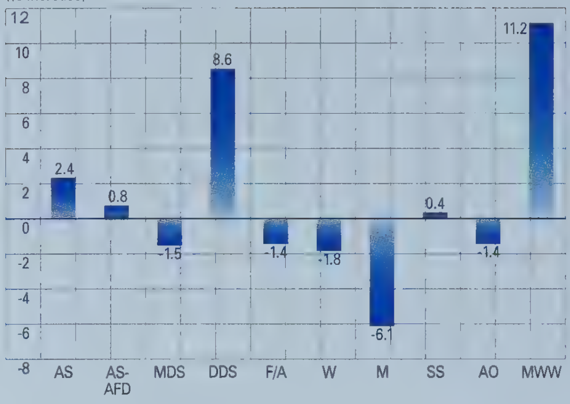
A longer-term look would be as shown in Graph 2.

As a result of its 11.4% corporate store sales growth in fiscal '97 over fiscal '96 (4.2% same store), on top of its 9.2% corporate sales growth in fiscal '96 over fiscal '95 (1.3% same store), MWW has increased its share of the men's clothing store market to 10.2% [13.1% market share for its corporate and franchise stores combined (Source: Statistics Canada)].

Major department stores, discount department stores and others also sell men's wear. While Statistics Canada does not compile that data, the Canadian Apparel Market Monitor (CAMM) does, and it shows 1996 market share growth in the $4.1 billion men's wear market over 1995 as in Graph 3.

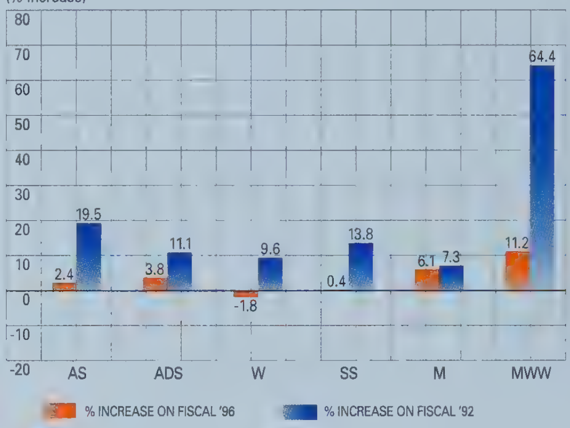
MWW (corporate and franchise stores combined) also grew its market shares of the $1.0 billion men's Canadian footwear market from 4.5% to 5.0% (Source: FMI International. See Chart on page 31).

1996 Retail Sales
(% increase)



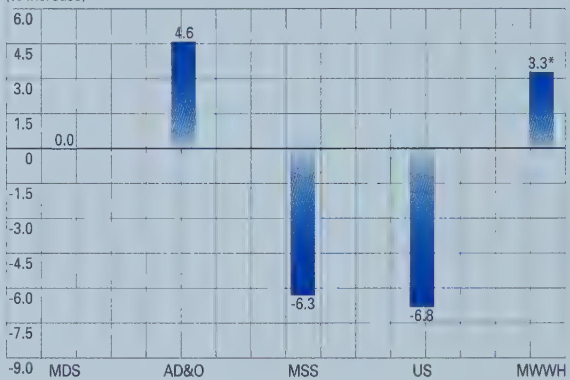
(Graph 1 – Source: Statistics Canada for various store types)

Merchandise Sector Sales
(% increase)



(Graph 2 – Source: Statistics Canada)

1996 Men's Apparel Market Share Growth
(% increase)



(Graph 3 – Source: CAMM)

*MWWH percentage increase is an internal calculation as CAMM Market Share for MWWH appears too low and CAMM market share growth for MWWH appears too high.

Graph Legend:

ADS = All Department Stores
AD&O = All Discount & Other
AO = All Others
AS = All Stores
AS-AFD = All Stores less auto, food and drug
DDS = Discount Department Stores
F/A= Furniture and Appliances
M = Men's Clothing
MDS = Major Department Stores
MSS = Men's Specialty Stores
SS = Shoe Stores
US = Unisex Stores
W = Women's Clothing
MWW = Mark's Work Wearhouse Canadian corporate stores
MWWH = Mark's Work Wearhouse Canadian corporate and franchise stores excluding Work World

Against any standard, MWW has been and continues to be a leader in sales gains in the men's apparel sector and to an even greater degree in the men's footwear sector. MWW has managed to generate these sales increases year after year in a difficult men's apparel retail climate by continuing to satisfy its loyal customers with an ever-improving merchandise offering and by continuing its strategy of getting its stores 'On Concept.' The following table shows to what extent corporate store sales increases in fiscal '97 over fiscal '96 were generated by MWW's real estate activity.

MWW Corporate Store Sales Increases – Analysis By Real Estate Activity

		Year Ended January 27, 1996 ($000's)	Year Ended January 25, 1997 ($000's)	Increase/(Decrease) ($000's)	(%)
56	Unchanged stores	109,638	112,254	2,616	2.4
7	Stores affected by new stores in existing markets	17,965	16,170	(1,795)	(10.0)
12	Relocated, expanded and refurbished stores in fiscal '97	21,029	25,246	4,217	20.1
15	Relocated, expanded and refurbished stores in fiscal '96	33,727	36,352	2,625	7.8
90	Same store sales subtotal	182,359	190,022	7,663	4.2
5	New stores fiscal '97	0	6,074	6,074	N/A
3	Repurchased franchise stores in fiscal '97	0	4,793	4,793	N/A
(3)	Closed stores fiscal '97	3,260	623	(2,637)	(80.9)
10	New stores fiscal '96 going to full year*	11,142	18,811	7,669	68.8
(3)	Closed stores fiscal '96	784	0	(784)	(100.0)
	Other	717	579	(138)	(19.2)
108	Total	198,262	220,902	22,640	11.4

*Includes U.S. pilot store

The 'On Concept' real estate initiative over the last eight years, has increased the average size of an MWW corporate store to 8,592 retail sq. ft. from 5,859 retail sq. ft. As at January 25, 1997, MWW has one store over 15,000 sq. ft., 35 stores in the 10,000 to 15,000 sq. ft. range, 39 stores in the 7,000 to 10,000 sq. ft. range and 33 stores under 7,000 sq. ft.. With the expansion of store sizes, the sales per retail sq. ft. have dropped from $296 in fiscal 1991 to the current level of $249. However, with the maturing of our 74 'On Concept' stores, we expect sales to gradually rebound toward $300 per retail sq. ft.

The Company's National Event marketing programs continued to be successful as they generated $12.3m or 54.3% of MWW's annual sales increase during the weeks of its seven national events as follows:

Corporate Store Sales Increases – Analysis By National Marketing Events

	Year Ended January 27, 1996 ($000's)	Year Ended January 25, 1997 ($000's)	Increase/(Decrease) ($000's)	(%)
Anniversary Event	7,051	8,700	1,649	23.4
May Event	7,442	8,712	1,270	17.1
Father's Day	7,836	8,697	861	11.0
Back to Class	12,490	14,616	2,126	17.0
September Product Guide	8,768	10,641	1,873	21.4
Winter Launch	12,023	13,213	1,190	9.9
Christmas	54,259	57,580	3,321	6.1
	109,869	122,159	12,290	11.2

Management's
Discussion
and Analysis

The message continues to be that in this difficult men's apparel market, specific actions must be taken to generate sales increases and MWW has done that.

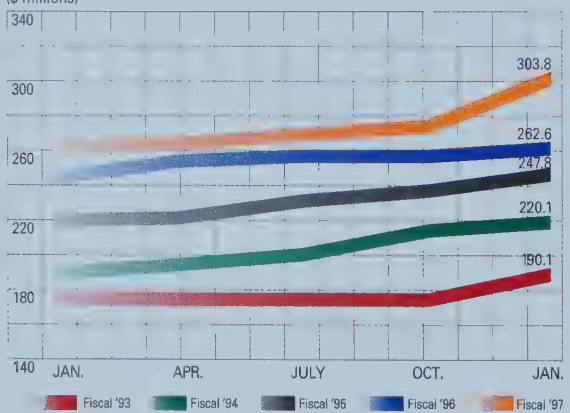
MWW's sales growth in fiscal '97 was also very broad based and solid as growth occurred across all of the categories of merchandise that MWW does business in, as shown below:

Corporate Store Sales By Category

	Year Ended January 27, 1996 ($000's)	Blend %	Year Ended January 25, 1997 ($000's)	Blend %	% Increase (Decrease)
Work apparel	12,600	6.4	13,927	6.3	10.5
Men's tops	38,422	19.5	41,747	19.0	8.7
Men's jeans	33,571	17.0	36,045	16.4	7.4
Industrial footwear	25,991	13.2	29,636	13.5	14.0
Accessories	29,181	14.8	33,109	15.1	13.5
Casual outerwear	15,561	7.9	17,597	8.0	13.1
Industrial outerwear	11,322	5.7	12,099	5.5	6.9
Men's casual bottoms	8,745	4.4	10,980	5.1	25.6
Casual footwear	12,036	6.1	13,792	6.3	14.6
Ladies wear	9,667	4.9	10,532	4.8	8.9
Other	320	0.1	28	–	(91.3)
	197,416	100.0	219,492	100.0	11.2
U.S. pilot	846		1,410		66.7
	198,262		220,902		11.4

The following chart shows the growth in MWW's corporate and franchise store sales over the last five years.

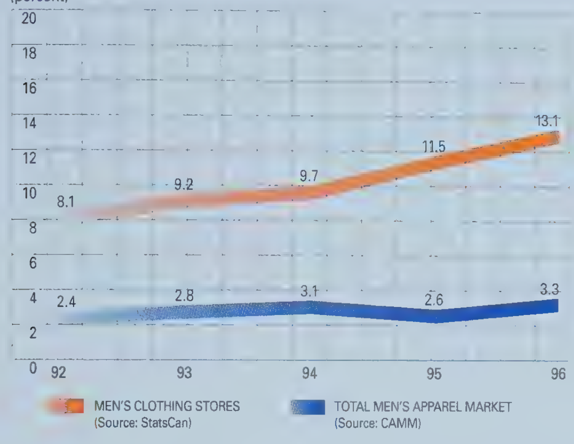
5-year Sales to January 25, 1997
MWW Corporate and Franchise Stores
12 Month Moving Average
($ millions)



(Graph 4)

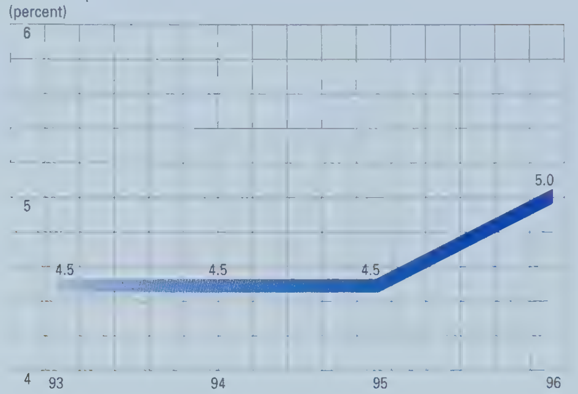
MWW remains the dominant retailer in workwear apparel and is growing its business in other commodities as illustrated in the following charts.

5-year Retail Market Share
Percentage of Retail Dollar Sales Men's Apparel
MWW Corporate and Franchise Stores
(percent)



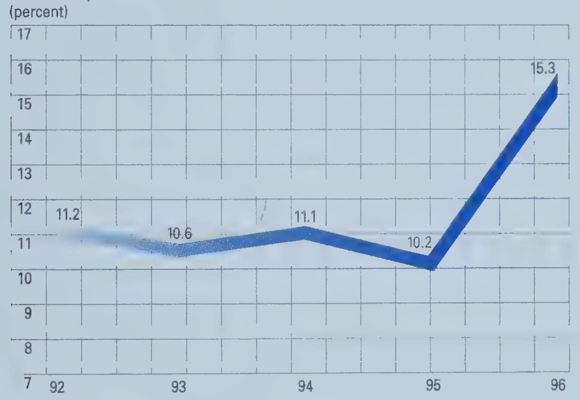
(Graph 5 – Note: In calendar 1996 (fiscal '97), MWW's internal calculation of market share is 5.0% compared to CAMM's 3.3% and in calendar 1995 (fiscal '96) 4.8% compared to CAMM's 2.6%)

4-year Retail Market Share
Percentage of Retail Dollar Sales Men's Canadian Footwear
MWW Corporate and Franchise Stores
(percent)



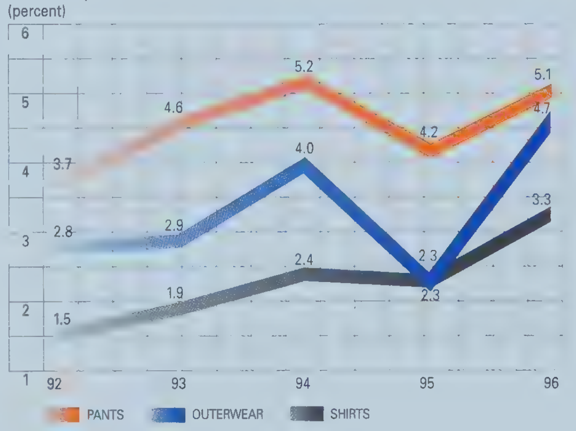
(Graph 6 – Source: FMI International)
11.1% growth in footwear market share.

5-year Retail Market Share
Percentage of Retail Dollar Sales Canadian Men's Workwear
MWW Corporate and Franchise Stores
(percent)



(Graph 7 – Source: CAMM)

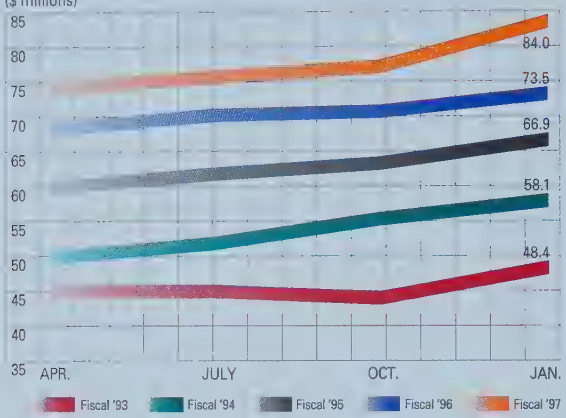
5-year Retail Market Share
Percentage of Retail Dollar Sales Canadian Men's Apparel – Selected Commodities
MWW Corporate and Franchise Stores
(percent)



(Graph 8 – Source: CAMM)

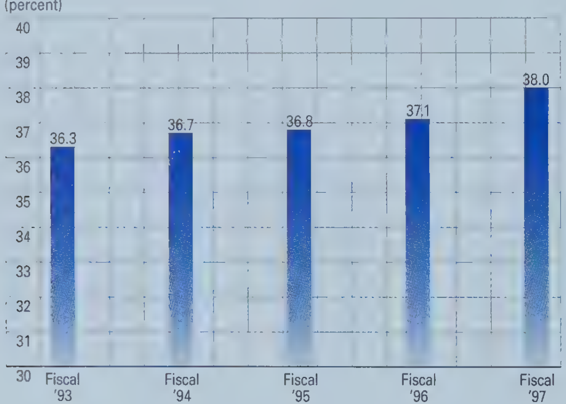
Management's Discussion and Analysis

5-year Gross Margin Dollars to January 25, 1997
MWW Corporate Stores
12 Month Moving Average
($ millions)



(Graph 9)

5-year Gross Margin Rate to January 25, 1997
MWW Corporate Stores
(percent)



(Graph 10)

Gross Margin

MWW continues to succeed at growing its gross margin rate as it grows sales, a result that is very difficult to achieve in apparel retail since one component often comes at the expense of the other. During fiscal '97, in addition to the 11.4% corporate store sales growth over fiscal '96, the gross margin rate was improved to 38.0% in fiscal '97 from 37.1% in fiscal '96. As can be seen in the following table, the margin improvement was generated by improved purchase markup, improved markdown management and shrink management and, to a lesser degree, by improved freight management.

Gross Margin Rate

	Year Ended January 27, 1996	Year Ended January 25, 1997	Improvement
Purchase mark up	47.9%	48.2%	0.3%
Mark downs and customer adjustments	(7.4%)	(7.1%)	0.3%
Shrink	(1.0%)	(0.8%)	0.2%
Freight	(2.2%)	(2.1%)	0.1%
Other	(0.2%)	(0.2%)	–
	37.1%	38.0%	0.9%

The improvement in purchase mark up was generated mostly through better buying, although there were some modest price increases to pass through cost increases on some commodities. Markdowns improved as a result of better quantification of purchases and shrink improved as a result of enhanced receiving and security processes. Freight costs were improved through the negotiation of improved freight rates with the freight carriers MWW uses.

Of the $10.5m or 14.3% increase in gross profit dollars in fiscal '97 over fiscal '96, $8.5m or 81% is attributable to sales increases and $2.0m or 19% is attributable to the gross margin rate improvement. The performance of MWW's outerwear, footwear and accessories categories accounted for $6.3m of the fiscal '97 gross profit dollar increase over fiscal '96.

The purchase markup (net of the 3.2% freight burden) in the Company's end of year inventories also improved to 45.4% up from 44.2% at January 27, 1996; 44.1% at January 28, 1995; and 43.4% at January 29, 1994. The Company believes that it will continue to improve its margin rate in fiscal '98 by better managing its freight costs and mark downs and by continuing to improve its purchase markup.

Front-line Expenses

During fiscal '97, front-line expenses increased over the prior year by $9.8m or 18.0%, and increased as a percentage of sales to 29.1% from 27.4%. Front-line expenses also decreased as a cost per average retail sq. ft. to $73.58 from $74.01. The increase in staff, advertising, occupancy and other costs is directly attributable to the 112,995 retail sq. ft. added this past year (up 13.9% at year end and up 18.7% on a weighted average basis through the year) as stores continue to be brought 'On Concept' as per MWW's Strategic Plan. The depreciation of the capital costs incurred for the construction of these 'On Concept' stores accounts for most of the increase in depreciation costs. One significant improvement this past year was a decrease in MWW's short-term interest costs due to a lower average inventory per retail sq. ft. ($60.29 during fiscal '97 compared to $69.55 during fiscal '96) and generally lower interest rates in fiscal '97 compared to fiscal '96.

With 69% of the Company's stores 'On Concept' and since two-thirds of the 327,944 retail sq. ft. added over the last 3 years are starting to mature, the front-line expenses as a percentage of sales are expected to level off this coming year and decrease thereafter.

As per Note 1H to the Consolidated Financial Statements, pre-opening costs capitalized this past year out of front-line expenses were $787,000 ($1,127,000 the year prior); and $464,000 was amortized as a current year expense ($157,000 the year prior).

Front-line Expenses

	Year Ended January 27, 1996			Year Ended January 25, 1997			Increase/(Decrease)	
	($000's)	% of Sales	Per Avg Retail SF ($)	($000's)	% of Sales	Per Avg Retail SF ($)	($000's)	%
Staff	17,286	8.7	23.52	20,049	9.1	22.98	2,763	16.0
Advertising	8,027	4.0	10.92	9,543	4.3	10.94	1,516	18.9
Occupancy	15,772	8.0	21.46	19,570	8.9	22.43	3,798	24.1
Other	9,382	4.7	12.76	10,050	4.6	11.52	668	7.1
Depreciation and amortization	2,649	1.3	3.60	3,811	1.7	4.36	1,162	43.9
Interest short term	1,288	0.7	1.75	1,176	0.5	1.35	(112)	(8.7)
	54,404	27.4	74.01	64,199	29.1	73.58	9,795	18.0

Franchise Operations

The composition of the Company's franchise operations changed considerably in the fourth quarter of fiscal '97 with the acquisition of the Canadian franchise operation of Work World, effective December 1, 1996. The following table summarizes the Company's assessment of the contribution it believes it receives from its franchise activities.

	Year Ended January 27, 1996 ($000's)	Year Ended January 25, 1997 ($000's)	Increase/(Decrease) ($000's)	Increase/(Decrease) (%)
MWW franchise operations				
Franchise sales	64,313	60,682	(3,631)	(5.6)
Franchise royalties	4,266	4,004	(262)	(6.1)
Other income	24	16	(8)	(33.3)
Deduct:				
Bad debt provisions on franchise receivables	586	143	(443)	(75.6)
Estimate of franchise operations share of front-line costs	110	110	–	–
Estimate of franchise operations share of back-line costs*	3,604	3,187	(417)	(11.6)
Contribution by MWW franchises	(10)	580	590	100.0+
Work World franchise operations from December 1, 1996 onward				
Franchise sales	–	22,172	22,172	
Franchise royalties and initial franchise fees	–	962	962	
Deduct:				
Bad debt provisions on franchise receivables	–	18	18	
Front-line costs		89	89	
Back-line costs	–	349	349	
Contribution by Work World franchises	–	506	506	
Deduct:				
Acquisition financing costs	–	60	60	
Goodwill amortization	–	35	35	
	–	411	411	
Total franchise operations pre-tax	(10)	991	1,001	

*Allocation based on MWW franchise sales as a percent of total MWW system sales applied to MWW back-line costs excluding those costs deemed not applicable to franchise operations.

Management's Discussion and Analysis

During fiscal '97, total sales declined from fiscal '96 in the MWW franchise operations by $3.6m or 5.6% as there were five fewer stores. Same store sales were actually up $2.5m or 4.4% in the MWW franchise group. In fiscal '97, the contribution to MWW by the MWW franchises improved from a break-even in the prior year to $0.6m primarily as a result of lower bad debts as well as from a lower allocation of back-line costs as MWW franchisees became a smaller part of the MWW operation.

The contribution of the Work World franchise operation to the Company in fiscal '97 was in the $0.4m range as the Company timed the effective date of the acquisition to be December 1, 1996 and therefore, received the benefit of the royalties on Work World's franchisees' December sales.

With the Work World acquisition, the Company now has a small store format that can be expanded into 45 to 50 small Canadian markets where the Company does not currently operate.

The following table shows the change in the number of franchise stores during fiscal '97 and fiscal '96:

	Year Ended January 27, 1996	Year Ended January 25, 1997
MWW franchise stores		
Number of stores at beginning of year	42	38
Number of stores closed	(3)	(2)*
Number of stores repurchased as corporate stores	(1)	(3)
Number of stores at end of year	38	33
Work World franchise stores		
Number of stores acquired December 1, 1996	–	157
Number of stores closed	–	(7)
Number of stores at end of year	–	150
Total franchise stores (MWW and Work World)	38	183

*A further MWW franchise store closed, as planned, shortly after January 25, 1997.

Back-line Expenses

During fiscal '97, back-line expenses decreased by $0.5m or 3.2% from fiscal '96 and were reduced as a percentage of corporate store sales from 8.6% in fiscal '96 to 7.4% in fiscal '97. Included in the fiscal '97 back-line expenses is some $0.4m related to Work World for the months of December, 1996 and January, 1997. Thus, the pure MWW back-line expenses are actually down $0.9m or 5.3% from fiscal '96. Staff costs increased over the prior year as a result of the payment of bonuses to staff and management pursuant to the Company's performance-based bonus plans. Other costs decreased over the prior year as fiscal '97 expenditures on consulting, delivery, telephone and telecommunications and staff relocation costs were reduced. The costs for computer services are up partly due to the need for increased equipment services and partly as a result of the March 31, 1997 termination of MWW's outsourcing arrangements as outlined in Notes 1G, 5, 6 and 16(b) to the Consolidated Financial Statements. More specifically, in fiscal '97, the Company netted its unamortized deferred gain of $0.8m against its prepaid computer services of $1.0m and also did not book some $0.4m of income that would have come from the amortization of the deferred gain and the averaging of the payments for services that would have been available if the agreement had not been terminated.

Software development and maintenance costs, which are now primarily maintenance in nature, were reduced from the prior year as were franchise bad debts, as discussed under Franchise Operations. Interest on long-term debt increased from the prior year as a result of interest on $3.5m of new fixture lease financing and 45 days of interest on the $7.0m Work World acquisition loan. The other large year-over-year change was the $1.3m severance settlement with a former senior executive in fiscal '96.

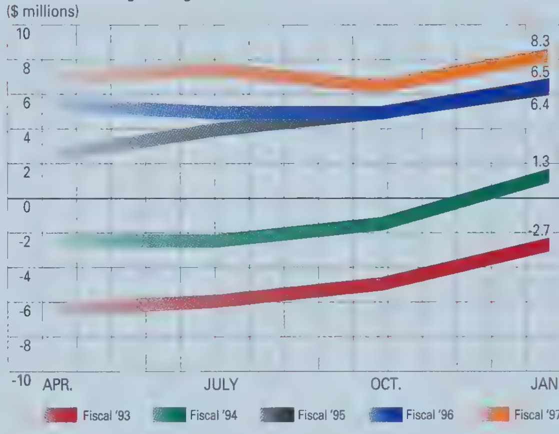
Back-line Expenses

	Year Ended January 27, 1996		Year Ended January 25, 1997		Increase/(Decrease)	
	($000's)	% of Sales	($000's)	% of Sales	($000's)	%
Staff	6,721	3.4	7,702	3.4	981	14.6
Occupancy	804	0.4	835	0.4	31	3.9
Other	3,104	1.6	2,326	1.1	(778)	(25.1)
Computer services	2,657	1.4	3,406	1.5	749	28.2
Software development and maintenance costs	1,003	0.5	727	0.3	(276)	(27.5)
Depreciation and amortization	463	0.2	612	0.3	149	32.2
Interest – long term	384	0.2	673	0.3	289	75.3
	15,136	7.7	16,281	7.3	1,145	7.6
Franchise bad debt provision	586	0.3	161	0.1	(425)	(72.5)
Franchise sundry income	(24)	(0.0)	(16)	(0.0)	8	33.3
Senior executive severance	1,271	0.6	–	0.0	(1,271)	(100.0)
	16,969	8.6	16,426	7.4	(543)	(3.2)

Pre-Tax Income and After-Tax Net Income

The combination of the $10.5m increase in gross profit dollars, $9.8m increase in front-line expenses, $0.7m increase in franchise royalties and $0.5m decrease in back-line expenses produced a pre-tax profit in fiscal '97 of $8.3m, some $1.9m or 30.4% above the prior year. The pre-tax amount by legal entity is outlined below:

5-year Pre-Tax Net Income to January 25, 1997
12 Month Moving Average
($ millions)



(Graph 11)

	Year Ended January 27, 1996 ($000's)	Year Ended January 25, 1997 ($000's)	Increase/(Decrease) ($000's)	%
MWW Canada	6,799	8,697	1,898	27.9
Work World Canada	—	506	506	N/A
MWW U.S.	(425)	(893)	(468)	(110.1)
	6,374	8,310	1,936	30.4

The Company's tax rate looks high, primarily because the loss in the U.S. pilot store cannot be tax affected. After tax net income breaks down by entity as follows:

	Year ended January 27, 1996 ($000's)	Year ended January 25, 1997 ($000's)	Increase/(Decrease) ($000's)	%	Fiscal '97 Tax Rate %
MWW Canada	3,542	4,545	1,003	28.3	47.7
Work World Canada	–	271	271	N/A	46.4
MWW U.S.	(425)	(893)	(468)	(110.1)	–
	3,117	3,923	806	25.9	52.8

Three Year Operations Table

Following is a three year operations table and a table of the front-line operations by region so that readers can review the Company's performance by season and by region.

(dollar amounts in thousands, except sales per retail sq. ft.)	52 weeks ended January 28, 1995			52 weeks ended January 27, 1996			52 weeks ended January 25, 1997		
	Spring	Fall	Total	Spring	Fall	Total	Spring	Fall	Total
Corporate and franchise sales	$ 85,147	$162,621	$247,768	$ 93,144	$169,431	$262,575	$ 99,489	$204,267	$303,756
Corporate sales	$ 62,446	$119,179	$181,625	$ 70,411	$127,851	$198,262	$ 77,847	$143,055	$220,902
Gross margin (%)	36.8	36.8	36.8	37.2	37.0	37.1	37.1	38.5	38.0
Front-line expense	$ 21,636	$ 26,560	$ 48,196	$ 24,059	$ 30,345	$ 54,404	$ 27,513	$ 36,686	$ 64,199
Front-line contribution	$ 1,350	$ 17,307	$ 18,657	$ 2,156	$ 16,921	$ 19,077	$ 1,344	$ 18,426	$ 19,770
Front-line contribution (%)	2.2	14.5	10.3	3.1	13.2	9.6	1.7	12.9	8.9
Franchise royalties	$ 1,479	$ 2,820	$ 4,299	$ 1,524	$ 2,742	$ 4,266	$ 1,445	$ 3,521	$ 4,966
Back-line expense	$ 6,773	$ 9,668	$ 16,441	$ 6,690	$ 10,279	$ 16,969	$ 7,175	$ 9,251	$ 16,426
Pre-tax earnings (loss)	$ (3,944)	$ 10,459	$ 6,515	$ (3,010)	$ 9,384	$ 6,374	$ (4,386)	$ 12,696	$ 8,310
Corporate stores									
Open at start of period	91	90	91	94	97	94	103	106	103
Opened	1	4	5	4	7	11	3	2	5
Franchise repossessions	–	1	1	1	–	1	3	–	3
Closed	(2)	(1)	(3)	(2)	(1)	(3)	(3)	–	(3)
Open at end of period	90	94	94	97	103	103	106	108	108
Franchise stores									
Open at end of period	43	42	42	39	38	38	34	183***	183***
Sales per retail sq. ft.*	$101	$188	$289	$102	$166	$268	$92	$157	$249
Inventory at retail									
– highest	$ 76,522	$ 97,806	$ 97,806	$ 90,978	$130,293	$130,293	$ 99,783	$121,814	$121,814
– lowest	$ 58,202	$ 67,909	$ 58,202	$ 67,909	$ 81,370	$ 67,909	$ 81,330	$ 81,650	$ 81,330
Inventory turnover	0.9	1.5	2.4	0.9	1.2	2.1	0.9	1.4	2.3
Operating line**									
– highest usage	$ 15,000	$ 15,700	$15,700	$ 20,850	$ 21,100	$ 21,100	$ 17,800	$ 24,200	$ 24,200
– lowest usage	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total retail (sq. ft.)									
Stores open at beginning of year			600,028			657,775			814,977
Opened/expanded			67,547			167,936			128,170
Closed/downsized			(9,800)			(10,734)			(15,175)
Stores open at end of year			657,775			814,977			927,972
Corporate store sales increase (%)			14.9			9.2			11.4
Corporate store same store sales increase (%)			13.7			1.3			4.2
Gross margin return on investment			1.6			1.4			1.6
Gross margin return on space			106.3			99.8			96.35
Corporate and franchise stores' market share of men's stores market (%)			9.7			11.5			13.1

*Calculated on stores open and at the same store size for an entire season. The Company breaks the year down into two seasons: Spring – February through July; Fall – August through January.

**Excludes outstanding letters of credit.

***150 Work World stores were added in December, 1996.

Front-line
Operations By Region

(dollar amounts in thousands, except sales per resident and sales per retail sq. ft.)	Western Canada	Ontario	Quebec/ Atlantic	U.S. Pilot	Work World	Total
Sales – total retail						
Fiscal 1997	$114,302	$111,567	$54,305	$1,410	$22,172	$303,756
Fiscal 1996	$106,021	$104,010	$51,698	$846	N/A	$262,575
Fiscal 1995	$102,171	$ 95,691	$49,906	N/A	N/A	$247,768
Total systems sales per resident						
Fiscal 1997	$12.79	$9.86	$5.53	N/A	N/A	$9.31
Fiscal 1996	$12.08	$9.20	$5.30	N/A	N/A	$8.76
Fiscal 1995	$11.83	$8.71	$5.14	N/A	N/A	$8.44
Sales – corporate stores						
Fiscal 1997	$89,363	$96,322	$33,807	$1,410	N/A	$220,902
Fiscal 1996	$81,263	$86,121	$30,032	$846	N/A	$198,262
Fiscal 1995	$77,849	$78,008	$25,768	N/A	N/A	$181,625
Corporate store sales per retail sq. ft.*						
Fiscal 1997	$253	$258	$212	$106	N/A	$249
Fiscal 1996	$260	$297	$222	$63	N/A	$268
Fiscal 1995	$277	$318	$238	N/A	N/A	$289
Sales – franchise stores						
Fiscal 1997	$24,939	$15,245	$20,498	N/A	$22,172	$82,854
Fiscal 1996	$24,758	$17,890	$21,665	N/A	N/A	$64,313
Fiscal 1995	$24,322	$17,683	$24,138	N/A	N/A	$66,143
Front-line contribution						
Fiscal 1997	11.3%	10.8%	0.5%	(52.8%)	N/A	8.9%
Fiscal 1996	10.0%	11.7%	4.9%	(64.4%)	N/A	9.6%
Fiscal 1995	9.9%	13.0%	3.2%	N/A	N/A	10.3%
Franchise royalties						
Fiscal 1997	$1,707	$961	$1,336	N/A	$962	$4,966
Fiscal 1996	$1,688	$1,185	$1,393	N/A	N/A	$4,266
Fiscal 1995	$1,605	$1,104	$1,590	N/A	N/A	$4,299
Net front-line contribution from operations						
Fiscal 1997	$11,765	$11,325	$1,517	($744)	$873	$24,736
Fiscal 1996	$9,781	$11,253	$2,853	($544)	N/A	$23,343
Fiscal 1995	$9,308	$11,223	$2,425	N/A	N/A	$22,956
Inventory turnover						
Fiscal 1997	2.5	2.6	2.2	0.8	N/A	2.3**
Fiscal 1996	2.3	2.6	2.1	0.6	N/A	2.1**
Fiscal 1995	2.5	3.0	1.9	N/A	N/A	2.4**
Number of stores at end of year						
Corporate /Franchise						
Fiscal 1997	41/15	44/9	22/9	1/0	0/150	108/183
Fiscal 1996	39/16	42/11	21/11	1/0	N/A	103/38
Fiscal 1995	37/16	37/12	20/14	N/A	N/A	94/42

*Calculated on stores open and at the same store size for an entire season. The Company breaks the year down into two seasons: Spring – February through July; Fall – August through January.

*Calculation based on the compilation of regional data plus inventory in the Company's corporate distribution center

N/A Not applicable

Management's Discussion and Analysis

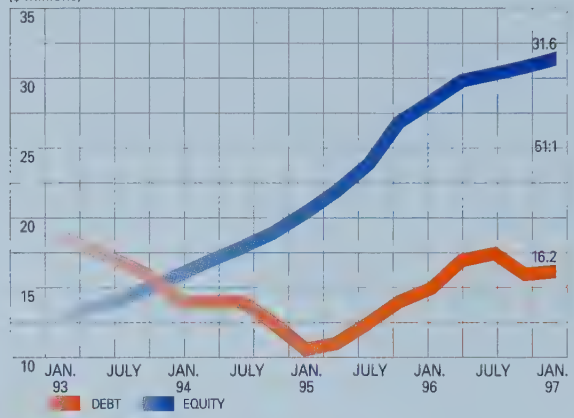
Consolidated Balance Sheets

The January 25, 1997 balance sheet shows the Company's total assets are up some $22.1m over January 27, 1996 as the Company added $7.1m (net of amortization) of goodwill as a result of its Work World acquisition, $1.6m (net of allowances for doubtful accounts) of franchise receivables in Work World, $0.6m of capital assets (net of depreciation) as a result of the Work World purchase, $2.2m in capital assets (net of depreciation) in MWW as a result of its on going 'On Concept' store building program and not unimportantly, $11.7m more in cash, all offset by $1.1m of other net deductions.

Along with the above came a $7.0m bank term loan to finance the Work World acquisition and increased capital lease obligations of $3.0m (net of principal repayments) as some of the Company's 'On Concept' stores capital expenditures of the past two years were financed with capital lease financing in order to match long-term debt to long-term assets.

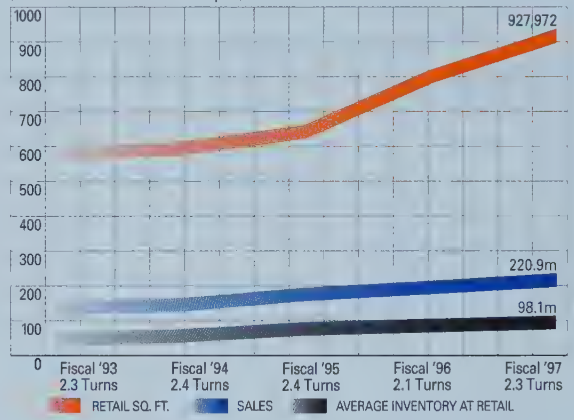
Notwithstanding the above activity, the Company's consolidated balance sheet remains strong at January 25, 1997 with a current ratio of 1.67-to-1 compared to 1.74-to-1 at January 27, 1996 and 1.80-to-1 at January 28, 1995 and to the Company's goal of a minimum of 1.50-to-1. The total liabilities-to-equity ratio at January 25, 1997 is 1.53-to-1 compared to 1.21-to-1 at January 27, 1996 and 1.23-to-1 at January 28, 1995 and compares to the Company's goal of no more than 1.75-to-1. As at January 25, 1997, the total liabilities-to-equity ratio could be considered to be overstated because as outlined in Note 16(a) to the Consolidated Financial Statements, all of the Company's 8% Convertible Subordinated Debentures were converted to Common Shares on February 3, 1997. If that conversion were considered on a pro-forma basis the January 25, 1997 total liabilities-to-equity ratio would be 1.34-to-1. The twelve-month moving average funded debt-to-equity ratio was 0.51-to-1 at January 25, 1997 compared to 0.52-to-1 at January 27, 1996, 0.53-to-1 at January 28, 1995 and to the Company's goal of no more than 0.75-to-1.

5-year Funded Debt to Equity to January 25, 1997
12 Month Moving Average
($ millions)



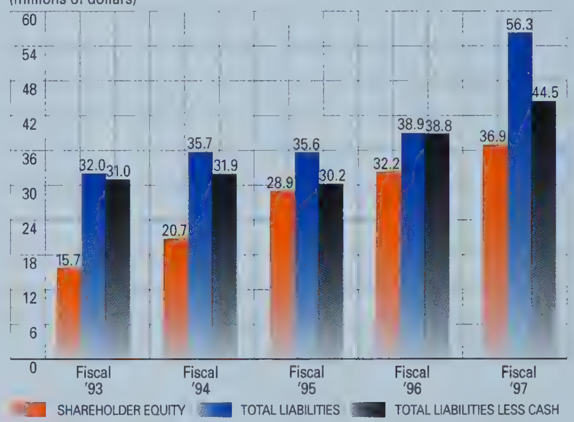
(Graph 12)

5-year Inventory Turns
(millions of dollars and retail sq. ft.)



(Graph 13)

5-year Capital Structure
(millions of dollars)



(Graph 14)

During fiscal '97, the Company's inventory management initiatives started to produce some improvement as the year-end inventory levels and average inventory levels throughout the year per retail sq. ft. improved as follows:

	Fiscal 1996	Fiscal 1997
Inventory at cost per retail sq. ft. at year end	$54.75	$47.46
Average inventory at cost per average retail sq. ft. throughout the year	$69.55	$60.29

A slow but steady improvement in inventory turnover is also occurring, even though the large annual increases in sq. ft. continue with the 'On Concept' program.

	Fiscal 1996	Fiscal 1997
Inventory turnover (based on inventory at retail)	2.14	2.25
Percent change in inventory turnover	(9.7)	5.1
Weighted average retail sq. ft.	735,001	872,410
Percent change in weighted average retail sq. ft.	16.9	18.7

Unfortunately, during fiscal '97, the Company was not successful in developing and implementing its automatic re-ordering system, but believes it now has all the pieces in place to achieve that by fall 1997 and, expects to see further inventory improvement in fiscal '98. However, as stated in our previous annual reports, while improved inventory turn-over is a worthy objective to pursue, the Company will continue to approach this carefully as today's consumers expect that destination stores will always be 'in stock.'

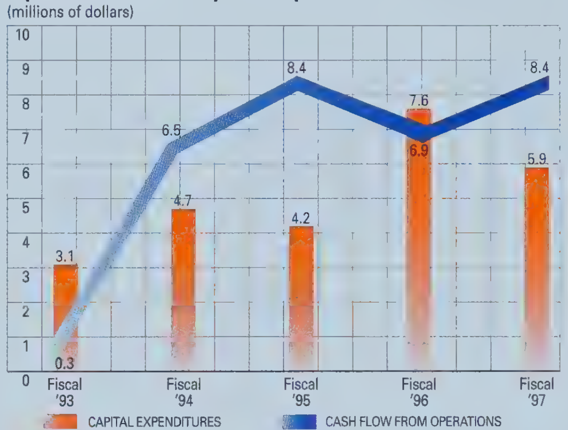
During the year ended January 25, 1997, shareholders' equity increased by $4.7m or 14.7% and the return on average shareholders equity improved to 11.4% from 10.2% in the January 27, 1996 fiscal year. During fiscal '98, the return on average shareholders' equity is forecast to be in the range of 11.4% to 14.1%. (See forecast assumptions on page 24.)

Consolidated Statements of Cash Flow

During the year ended January 25, 1997, the Company generated $8.4m in cash flow from operations compared to $6.9m in the prior year for a 20.9% increase. For the first time since fiscal '94, the Company, through better inventory management (i.e. deliveries were more closely matched to the timing of sales and payments to suppliers) was able to reduce its investment in its non-cash working capital accounts.

All of the cash flow generated from operations and 61.4% of the change in non-cash working capital was on hand at year end as the Company financed most of is $7.3m Work World acquisition costs with a $7.0m bank term loan and obtained $3.5m of construction lease financing which financed 59.2% of its $5.9m in capital expenditures during fiscal '97.

5-year Cash Flow from Operations and Capital Expenditures
(millions of dollars)



(Graph 15)

Changes in Non-Cash Working Capital

	Year ended January 27, 1996 ($000's)	Year ended January 25, 1997 ($000's)
Decrease (increase) in		
Accounts receivable	962	107
Inventory	(7,831)	629
Prepaids and deposits	362	(722)
	(6,507)	14
Increase (decrease) in		
Accounts payable and accrued liabilities	(1,057)	4,532
Income taxes payable	2,311	928
	(5,253)	5,474

Capital Expenditures

	Year ended January 27, 1996		Year ended January 25, 1997	
	No. of stores	$000's	No. of stores	$000's
New store projects	10	3,240	5	1,270
Expenditures on repossessed franchise stores	–	–	3	398
Relocated or expanded stores	15	2,960	12	3,087
Other	–	1,406	–	1,168
	25	7,606	20	5,923

Management's Discussion and Analysis

During the coming year, the Company is planning to invest \$3.3m in stores projects, and \$1.6m in front-line and back-line systems equipment. As well, the unwinding of the ISM agreement as noted under Back-line Expenses and in Notes 1G and 16(b) to the Consolidated Financial Statements will create a further \$6.2m of capital expenditures in fiscal '98 by virtue of the setting up on the balance sheet the computer leases being assigned by ISM to the Company as capital leases, along with the same amount of capital lease debt.

The Company expects to meet these cash requirements from its forecasted \$13.4m to \$14.6m cash flow from operations net of its forecasted \$6.5m to \$7.9m investment in non-cash working capital, and its forecasted \$5.7m to \$8.1m of (net) capital lease financing. The Company also has operating credit facilities as described in Note 8 to the Consolidated Financial Statements. (See forecast on page 25 and related assumptions on page 24.)

Risk and Uncertainties

Following is a table of the External and Internal risk factors that affect the Company's business and ultimately its profitability.

Risk Factors

External	Internal
Consumer environment	Integration of Work World
Competition	Customer service
Seasonality	Sales blend
Weather	Marketing strategies
Merchandise sourcing	Store openings and closings
Foreign exchange rates	Number and health of franchise stores
Interest rates	Expense rates in the areas of payroll, advertising, occupancy and systems
	Inventory levels
	Capital expenditure investments in stores and systems
	Liabilities-to-equity levels
	Foreign exchange exposure
	Interest rate exposure

Management's responsibility is to mitigate **External Risk Factors** to the extent possible and to achieve an appropriate balance among the **Internal Risk Factors,** in order to optimize profits.

The **Consumer Environment** in Canada continues to be difficult as Canadian consumers continue to deal with employment uncertainty, household cash flow constraints, because of household debt levels and low growth in wages and record high personal bankruptcies. Further, in the total consumer retail market place at this time, the demand for apparel by consumers appears to be weaker than the demand for other retail sector commodities. Thus, there is no assurance that consumers will continue to purchase apparel at traditional levels. The Company feels that it has mitigated this risk by having developed a stable yet evolving product offering, 'On Concept' stores and sound marketing programs.

Competition in the men's wear apparel sector remains fierce as department stores, discount department stores, other discount stores , unisex stores and men's specialty stores battle for market share in this market segment. Many of these stores are now large U.S.-based retailers. Management feels that it has mitigated this risk by keeping the Company well positioned in this market sector from a selection and price point perspective. The Company's market share statistics seem to be supporting that position. However, the Company does not believe that it is isolated from the effects of this competition and intends to continue to be rigorous in maintaining good relationships with its customers, protecting its business and generating new customers.

The Company's business continues to be very **Seasonal** with the fourth quarter of the fiscal year continuing to produce over 40% of annual sales and the majority of annual profits, as a result of the general increase in consumer spending in that period. The sales reporting and merchandise planning modules of the Company's information system are assisting the Company in mitigating the risk and uncertainties associated with seasonal programs, but will not remove them completely, as inventory orders, especially for a significant portion of offshore commodities, must be placed well ahead of the season.

Approximately 35% of the Company's business is done in seasonal-related commodities. Thus, **Weather** dependency cannot be totally removed from the Company's business.

In the area of **Merchandise Sourcing,** the Company has several sources of supply for most of its key commodities, in order to be able to provide a continuous supply of quality products to its customers.

While short-term interruptions could occur, the Company continues to work with both its domestic and foreign sources to ensure that they have the commitment and ability to supply the Company so that our customers' needs are met.

As part of its offshore sourcing practices, the Company advises its importers not to provide it with any goods produced in factories that use child or unacceptably paid or treated labour. For direct imports, the Company inspects each factory it deals with and asks if the factory employs child or unacceptably paid or treated labor. Nevertheless, the Company cannot guarantee that such activities will not occur in the factories of the offshore suppliers with which it deals.

MWW's **Foreign Currency** risk is limited by currency fluctuations between the Canadian and U.S. dollar, as all of the Company's offshore suppliers do business in U.S. dollars. Since the Company has only one U.S. store, a pilot opened in August, 1995, the Company has virtually no U.S. dollar revenues to use for the purchase of commodities offshore in U.S. dollars. The Company enters into forward contracts for approximately 90% of its anticipated U.S. dollar offshore purchases to help manage this risk. As at January 25, 1997, the Company had foreign exchange contracts outstanding totaling $15.0m U.S., or $19.9m CDN for an average locked-in rate of $1.32 Canadian for every U.S. dollar (see Note 1K to the Consolidated Financial Statements). The Company buys the majority of its commodities from Canadian manufacturers in Canadian dollars.

MWW's **Interest Rate** risk is because of its short-term floating rate debt requirements during part of its fiscal year. Interest rate swap contracts are used to hedge this interest rate risk on the anticipated short-term floating rate debt requirements for the coming year. For fiscal '98, the Company has fixed its borrowing rate on its anticipated short-term borrowing requirements at a 5.6% all-in rate (see Note 1K to the Consolidated Financial Statements).

The **Internal Risk Factors** are often tied together and thus action taken to stimulate one factor often results in a negative effect on other factors:

- New store openings may increase sales but, in the first year or two of operations of that store, the increase in payroll costs, advertising costs, occupancy costs and interest costs may cause that store to contribute an operating loss, until it becomes a mature store from a sales per sq. ft. perspective.
- Additional advertising campaigns may increase sales long term, but not sufficiently in the short-term to increase short-term profitability.
- Staff reductions can lower payroll costs, but may cause a loss of sales due to lower sales per customer, customer dissatisfaction with the level of sales service and stock outages.

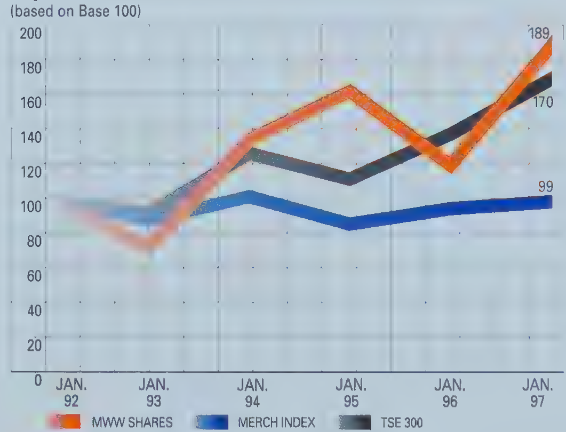
Management believes that it is achieving an appropriate balance among the internal risk factors in order to optimize profits.

During fiscal '98, MWW management will be integrating the Work World operations into MWW. While there are always risks associated with these types of activities, such as the possible loss of key personnel, market niche, corporate culture, sales, etc., the Company believes that the corporate structure it has put in place to run Work World as a separate division and the detailed timeline it has developed for the full integration of back-line activities will mitigate these risks and create significant opportunities for improved performance by the Work World division.

During the year ended January 25, 1997, our shares traded at multiples ranging from 7 to 14 times earnings per share. This compares to an 18 to 89 times price earnings ratio during the 1996 calendar year (fiscal '97) for the TSE Merchandising Index. Also during fiscal '96, the share price ranged from 76% to 152% of the Company's January 25, 1997 book value.

The following graph compares the yearly percentage change in the cumulative shareholder return over the last five years on the common shares of the Company (assuming a $100 investment was made on January 25, 1992) with the cumulative total return of the TSE 300 Stock Index and with the TSE Merchandising Index. No dividends have been paid by the Company and it was not necessary to build a dividend reinvestment feature into the graph.

5-year Share Performance
(based on Base 100)



(Graph 16)

Management's Responsibility For Financial Statements

The accompanying Consolidated Financial Statements of the Company and all information in the Annual Report are the responsibility of management. Financial information contained elsewhere in the Annual Report is consistent with that shown in the financial statements. The Consolidated Financial Statements were prepared by management in accordance with accounting principles generally accepted in Canada, applied on a consistent basis, and conforming in all material respects with International Accounting Standards. The significant accounting policies, which management believes are appropriate for the Company, are described in Note 1 to the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board, which is comprised solely of Directors who are not employees of the Company, is appointed by the Board of Directors annually. The Audit Committee of the Board is also responsible for meeting regularly with financial management of the Company and with the shareholders' independent auditors, for reviewing internal controls and for reviewing the annual Consolidated Financial Statements and reporting to the Board, making recommendations with respect to the appointment and remuneration of the Company's auditors and reviewing the scope of the audit.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws, and maintains proper standards of conduct for its activities.

Michael Lambert, Chief Financial Officer

March 21, 1997

Auditors' Report

To the Shareholders of Mark's Work Wearhouse Ltd.

We have audited the Consolidated Balance Sheets of Mark's Work Wearhouse Ltd. as at January 25, 1997, January 27, 1996 and January 28, 1995 and the Consolidated Statements of Earnings, Retained Earnings and Cash Flow for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at January 25, 1997, January 27, 1996, and January 28, 1995 and the results of its earnings and changes in its financial position for each of the years then ended, in accordance with generally accepted accounting principles.

Price Waterhouse

Price Waterhouse Chartered Accountants

Calgary, Alberta, March 21, 1997

Consolidated Balance Sheets

	As at January 28, 1995	As at January 27, 1996	As at January 25, 1997
		(thousands)	
Assets			
Currents assets			
Cash and short-term investments	$ 5,408	$ 85	$11,749
Accounts receivables (Note 3)	11,790	10,828	12,284
Inventories	36,788	44,619	44,040
Other current assets (Note 4)	2,088	1,569	2,304
	56,074	57,101	70,377
Other assets (Note 5)	910	1,963	793
Capital assets (Notes 6 and 10)	7,439	11,853	14,608
Goodwill (Note 7)	118	140	7,368
	$64,541	$71,057	$93,146
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$31,217	$30,209	$36,540
Income taxes payable	–	2,311	3,328
Current portion of long-term debt (Note 9)	–	249	2,286
	31,217	32,769	42,154
Long-term debt (Note 9)	3,000	4,025	11,952
Deferred gains (Note 6)	1,402	1,163	682
Deferred income taxes	–	946	1,474
	35,619	38,903	56,262
Shareholders' Equity			
Capital stock (Note 11)	27,655	27,770	28,577
Retained earnings	1,267	4,384	8,307
	28,922	32,154	36,884
	$64,541	$71,057	$93,146

Approved by the Board

Michael Fox, Director

Garth Mitchell, Director

Consolidated Statements of Earnings

	52 weeks ended January 28, 1995	52 weeks ended January 27, 1996	52 weeks ended January 25, 1997
		(thousands)	
Corporate and franchise sales (Note 12)	$247,768	$262,575	$303,756
Corporate operations			
Front-line operations (Note 1A)			
Sales	$181,625	$198,262	$220,902
Cost of sales	114,772	124,781	136,933
Gross margin	66,853	73,481	83,969
Front-line expenses			
Personnel, advertising and other	31,726	34,695	39,642
Occupancy	13,702	15,772	19,570
Depreciation and amortization	1,977	2,649	3,811
Interest – short term	791	1,288	1,176
	48,196	54,404	64,199
Front-line contribution	18,657	19,077	19,770
Franchise royalties	4,299	4,266	4,966
Net front-line contribution before back-line expenses	22,956	23,343	24,736
Back-line operations (Note 1A)			
Back-line expenses			
Personnel, administration and other	9,690	9,950	10,028
Occupancy	790	804	835
Depreciation and amortization	387	463	612
Software development and maintenance costs	1,225	1,003	727
Computer services	2,613	2,657	3,406
Interest – long term	348	384	673
Franchise bad debt provisions net of franchise sundry income	988	562	145
Other costs (Note 13)	400	1,146	–
	16,441	16,969	16,426
Earnings before taxes	6,515	6,374	8,310
Taxes (Note 14)			
Current	200	2,311	3,863
Deferred	–	946	524
	200	3,257	4,387
Net earnings	$ 6,315	$ 3,117	$ 3,923
Earnings per common share	27¢	13¢	16¢
Fully diluted earnings per common share	26¢	12¢	15¢

Consolidated Statements of Retained Earnings (Deficit)

	52 weeks ended January 28, 1995	52 weeks ended January 27, 1996	52 weeks ended January 25, 1997
		(thousands)	
Retained earnings (deficit) at beginning of year	$ (5,048)	$ 1,267	$ 4,384
Net earnings	6,315	3,117	3,923
Retained earnings at end of year	$ 1,267	$ 4,384	$ 8,307

Consolidated Statements of Cash Flow

	52 weeks ended January 28, 1995	52 weeks ended January 27, 1996	52 weeks ended January 25, 1997
		(thousands)	
Cash generated (deployed)			
Operations			
Net earnings	$ 6,315	$ 3,117	$ 3,923
Non-cash items			
Depreciation and amortization	2,364	3,112	4,423
Gain on disposition of capital assets	(325)	(239)	(481)
Deferred income taxes	–	946	524
Cash flow from operations	8,354	6,936	8,389
Change in non-cash working capital	(3,960)	(5,253)	5,474
	4,394	1,683	13,863
Investing			
Acquisition (Note 2)	–	–	(7,263)
Purchase of capital assets	(4,180)	(7,606)	(5,923)
Other assets	(460)	(1,054)	707
Goodwill	–	(100)	(212)
Disposition of capital assets	31	316	(75)
	(4,609)	(8,444)	(12,766)
Financing			
Proceeds of long-term debt	–	1,371	10,509
Retirement of long-term debt	–	(97)	(749)
Issuance of share capital	1,862	164	807
	1,862	1,438	10,567
Net cash generated (deployed)	1,647	(5,323)	11,664
Cash and short-term investments at beginning of year	3,761	5,408	85
Cash and short-term investments at end of year	$ 5,408	$ 85	$11,749

Notes to Consolidated Financial Statements

January 25, 1997

(dollar amounts in tables in thousands except earnings per share)

1. Significant Accounting Policies

The Company operates Mark's Work Wearhouse (MWW) corporate stores and is involved in the operations of franchise-owned MWW stores and Work World Enterprises Inc. (WWE) stores, all operating in the retail clothing and footwear industry in Canada. Through a U.S. subsidiary, the Company also operates one MWW pilot store in the United States. These financial statements are prepared by management in accordance with accounting principles generally accepted in Canada and conform, in all material respects, with International Accounting Standards.

A. Basis of Presentation – The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

Front-line operations represent those activities where the Company's people come face to face with the customers and back-line operations represent those activities which support the effective performance of front-line activities.

B. Franchise Operations – For MWW franchises, initial franchise fees are recorded as income when the cash has been received, the store has been opened and any other material conditions relating to the sale have been substantially performed. Royalties, which are based on sales by the franchise, are recorded as income as they are earned. Costs are expensed as incurred as part of either front-line or back-line expenses and except for franchise bad debt provisions, the majority of costs are not specifically identifiable as franchise costs.

For the Company's subsidiary, WWE, initial franchise fees are recorded as revenue when the store is opened, whether the balance has been received or is a receivable. Deposits received on franchise agreements for stores not yet opened are included in current liabilities on the balance sheet. Royalties are based on sales by the franchises and recorded as income as they are earned. Costs, including any allowance for doubtful accounts, are expensed as incurred as part of either front-line or back-line expenses and, in the case of WWE at this time, all the costs are specifically identifiable as franchise costs.

C. Inventories – Merchandise inventories are accounted for by the retail method and are carried at the lower of estimated cost and anticipated selling price, less an expected average gross margin. Inventories of supplies held for franchises are valued at the lower of cost and net realizable value.

D. Capital Assets – Depreciation is designed to amortize the cost of capital assets over their estimated useful lives. Capital assets are amortized at the following annual rates:

Leasehold improvements	Most on a straight-line basis over the term of the lease with some on a five-year straight-line basis
Furniture, fixtures and equipment	Most on a 20% per year straight-line basis, with some equipment on a 20% and 30% per year declining balance basis
Equipment and capital leases	On a straight-line basis over the term of the lease
Building	4% declining balance

E. Goodwill – Goodwill is the excess of the costs of investments in subsidiaries or repurchased franchise stores over the fair value of the net assets acquired. Goodwill is being amortized on a straight-line basis determined for each acquisition or repurchased franchise store over the estimated life of the benefit. The value of goodwill is regularly evaluated by reviewing the financial returns of the related business or repurchased franchise stores, taking into account the risk associated with the investment. Any permanent impairment in the value of goodwill is written off against earnings. The weighted average remaining amortization period is 32.9 years (January 27, 1996 3.0 years; January 28, 1995 1.8 years). No goodwill is set up on the reacquisition of troubled franchises. See Note 7.

F. Translation of Foreign Currencies – Inventory purchases in foreign currencies are translated at the rate of exchange in effect on the dates they occur and payable balances at the balance sheet date, after taking into account the effect of any related foreign exchange hedging contracts.

During fiscal January 25, 1997, the operations of the Company's U.S. subsidiary were considered to be integrated and thus were translated using the temporal method. In fiscal January 27, 1996 and fiscal January 28, 1995, the operations of the Company's U.S. subsidiary were translated using the current rate method; as at January 27, 1996 the translation adjustment account of $49,000 was written off.

G. Computer Services – The Company's five-year outsourcing agreement with Information Systems Management (Alberta) Corporation (ISM) effective February 1, 1994 required declining payments over a five-year period. Since the services contemplated were to be the same for each of those years, the related costs (net of the deferred gain on disposition of the equipment to ISM) were being recognized in annual amounts equal to one-fifth of the total payments. Since February 1, 1994, the Company has requested increased services and those costs are being expensed as they are incurred. Effective February 1, 1996, the Company negotiated a two-year extension to the arrangement with some cost reductions and some payment extensions, and these costs are being expensed as they are incurred. Effective March 31, 1997, the Company terminated this agreement with ISM. See Notes 5, 6, 10 and 16(b).

H. Store Opening Expenses – Costs incurred in connection with the opening of a new store have historically been charged against earnings in the year in which the store commenced operations, as the amounts were not material. Commencing in the fiscal year ended January 27, 1996, because of the significant number of store openings as the Company converted to larger 'On Concept' stores, store opening expenses were capitalized and are being amortized over a three-year period commencing in the quarter following the store opening.

I. Software Development and Maintenance Costs – Costs incurred to develop or maintain software for the Company's proprietary management information systems have been expensed as incurred.

J. Earnings Per Share – Basic earnings per share are calculated using the weighted average number of Common Shares outstanding (See Note 11) during the year. Fully diluted earnings per share are calculated after giving effect to the conversion of the 8% convertible subordinated debentures and the exercise of outstanding options.

K. Financial Instruments – Interest rate swap contracts are used to hedge interest rate risk on the Company's anticipated short-term floating rate debt requirements during its next fiscal year. The interest rate differentials to be paid or received under such contracts are recognized as adjustments to interest expenses in that fiscal year. For the coming fiscal year, the Company has fixed its borrowing rate on its anticipated short-term borrowing requirements at a 5.6% all-in rate. The mark to market value of the interest rate swap contracts is a $45,653 unrecorded loss at January 25, 1997 based on the Company's floating rate interest cost of 5.25%.

Foreign currency risks related to the purchase of merchandise for resale are hedged for approximately 90% of the anticipated purchases. Any costs associated with these purchases are included in the Canadian dollar cost of these products. As at January 25, 1997, the Company had foreign exchange contracts outstanding for committed and anticipated foreign currency purchases during the Company's next fiscal year totaling $15,022,000 (U.S.) $19,878,000 (CDN) for an average locked in exchange rate of $1.32 Canadian for every U.S. dollar. As at January 25, 1997, the unrealized gain on foreign exchange contracts was $380,301 based on a January 25, 1997 exchange rate of 1.35.

The estimated fair values of financial instruments including accounts receivable, accounts payable and fixed rate debt approximate book value.

L. Prior Year Amounts – Certain prior year amounts are reclassified to conform to the current year's presentation.

2. Acquisition

Effective December 1, 1996, the Company acquired all the outstanding shares of WWE for cash of $7,263,000. WWE was directing the operation of 157 franchise Work World and Workwear World stores in Canada using a variety of proprietary trademarks and trade names as at December 1, 1996. Work World and Workwear World stores generated sales of $88,585,000 in the 12 months ended January 25, 1997. Such sales were subject to a weighted average royalty of 3.7% payable to WWE.

The acquisition was accounted for by the purchase method with the results of the acquired business included from the date of acquisition, December 1, 1996.

The acquisition resulted in goodwill of $7,146,000 which is being amortized on a straight-line basis over 34 years which represents the average life of the franchise agreements plus one extension period.

The net assets acquired were as follows:

Current assets	$1,596
Franchise contracts receivable	52
Capital assets	587
Goodwill	7,146
	9,381
Liabilities assumed	2,118
Acquisition cost	$7,263

3. Accounts Receivables

	1995	1996	1997
Receivables from franchise stores			
MWW stores	$ 8,127	$ 7,648	$ 6,763
WWE stores	–	–	1,730
Trade accounts receivable	5,095	5,388	5,567
Current portion of notes receivable from MWW franchises	300	100	250
	13,522	13,136	14,310
Allowance for doubtful accounts	(1,732)	(2,308)	(2,026)
	$11,790	$10,828	$12,284

The Company operates in the retail industry primarily in Canada and at one location in the United States. There are no individually significant clients which would create a credit risk to the Company in its operated stores. Accounts receivable from MWW franchise stores for inventory purchases, royalties and other services can have large balances at certain times of the year. The Company has security instruments in place over the franchise operations of MWW franchisees, postponed to the franchisees' principal banker, which may or may not cover the total receivable position. At this time, the Company does not supply inventory to Work World franchise stores and does not take responsibility for payments to suppliers related to orders for the purchase of merchandise by Work World franchise stores. The Company does have receivables from Work World franchise stores for royalties, acquisition fees and for the costs of other services. Such receivables are unsecured.

4. Other Current Assets

	1995	1996	1997
Prepaid expenses	$1,782	$ 893	$1,329
Deposits	306	300	337
Current portion of store opening expenses	–	376	638
	$2,088	$1,569	$2,304

5. Other Assets

	1995	1996	1997
Employee relocation loans, secured	$ 174	$ 140	$ 138
Notes receivable from MWW franchisees	–	250	–
Prepaid computer services [See Notes 1G, 6, 10 and 16(b)]	736	979	–
Store opening expenses	–	594	655
	$ 910	$1,963	$ 793

6. Capital Assets

	1995		1996		1997	
	Cost	Net Book Value	Cost	Net Book Value	Cost	Net Book Value
Land	$ –	$ –	$ –	$ –	$ 45	$ 45
Building	–	–	–	–	452	351
Leasehold improvements	3,891	2,160	4,760	2,310	5,127	2,036
Furniture, fixtures and equipment	10,804	5,279	16,000	8,497	18,291	8,342
Equipment under capital leases	–	–	1,174	1,046	4,491	3,834
	$14,695	$ 7,439	$21,934	$11,853	$28,406	$14,608

Pursuant to an agreement dated December 31, 1993, effective February 1, 1994, the Company disposed of its computer equipment under capital lease to ISM and entered into a five-year agreement by which it outsourced its computer operations, including computer equipment, to ISM. The gain realized on the disposition was deferred and was being amortized as a reduction of outsourcing costs over the 60-month term of the agreement. The deferred gain balance at January 25, 1997 is Nil (January 27, 1996 $752,000 and January 28, 1995 $1,003,000). Effective February 1, 1996, the Company negotiated a two-year extension to the arrangement, with some cost reductions and some payment extensions. Effective March 31, 1997, the Company has terminated this arrangement with ISM. See Subsequent Event Note 16(b).

Effective August 1, 1991, the Company sold and leased back its corporate office and warehouse facility. The gain realized on the sale has been deferred and is being amortized as a reduction of occupancy expense over the original 128-month term of the lease. The deferred gain balance at January 25, 1997 is $333,000 (January 27, 1996 $366,000 and January 28, 1995, $399,000).

Beginning in fiscal January, 1996, the Company financed some of its 'On Concept' stores capital expenditures by selling and leasing back these capital assets. The gain realized on the sale has been deferred and is being amortized over the terms of the leases. The deferred gain balance at January 25, 1997 is $349,000 (January 27, 1996 $45,000 and January 28, 1995 nil).

7. Goodwill

	1995	1996	1997
Work World acquisition	$ –	$ –	$7,146
Repurchased franchise stores	225	325	308
Accumulated amortization	(107)	(185)	(86)
	$118	$140	$7,368

8. Credit Facilities

The Company has credit facilities for a 364-day revolving operating line as follows:

	Amount	Interest Rate
Operating	$35m ($43m between August 1 and December 15 each year)	Prime + 1/2%

The operating line of credit includes limits for letters of credit and forward exchange contracts and is limited to the lesser of $35,000,000 ($43,000,000 between August 1 and December 15 each year) and 60% of inventories as defined. The operating line is extendible, at the Company's request and the lender's discretion, for subsequent 364-day periods. The Company may, at any time, convert up to $3,000,000 of the revolving credit facility into a non-revolving facility repayable over 36 months. The interest rate on the facilities increases to prime + 3/4% if a certain interest coverage is not met.

Security provided includes a general security agreement registered in Personal Property Security Act (PPSA) jurisdictions, a fixed and floating charge demand debenture registered in non-PPSA jurisdictions, hypothec on moveables in Quebec, general assignment of accounts receivable, security under the Bank Act over inventory, pledge of shares of Work World Enterprises Inc. and guarantee and postponement of claim from all subsidiaries secured by subsidiary general security agreements and in the case of Work World Enterprises Inc. also a fixed and floating charge debenture and general assignment of book debts.

9. Long-term Debt

	1995	1996	1997
Bank term loan, 7.5% interest	$ –	$ –	$ 7,000
8% Convertible subordinated debentures	3,000	3,000	3,000
Capital lease obligations – 1997 9.3% average interest rate over 52 months (1996, 9.1% average interest rate over 52 months)	–	1,274	4,238
Total	3,000	4,274	14,238
Less: amount due within one year	–	249	2,286
	$3,000	$4,025	$11,952

On December 9, 1996, the Company obtained a $7,000,000, five-year term facility from its principal banker to finance the acquisition of Work World Enterprises Inc. The loan has a fixed interest rate of 7.5% and is repayable in 20 equal quarterly principal plus interest payments beginning March 31, 1997.

Security provided includes a general security agreement registered in Personal Property Security Act (PPSA) jurisdictions, a fixed and floating charge demand debenture registered in non-PPSA jurisdictions, hypothec on moveables in Quebec, general assignment of accounts receivable, security under the Bank Act over inventory, pledge of shares of Work World Enterprises Inc. and guarantee and postponement of claim from all subsidiaries, secured by subsidiary general security agreements and in the case of Work World Enterprises Inc., also a fixed and floating charge debenture and general assignment of book debts.

On January 28, 1994, the Company issued, by way of private placement to institutional investors, $3,000,000 8% Convertible Subordinated Debentures. The Debentures mature on February 3, 1997 and are convertible into Common Shares of the Company at a price of $1.85 per share. The Company may call the debentures for redemption, or force conversion, after January 31, 1996 if the average trading price of the Common Shares of the Company exceeds $2.60 over a 20-consecutive-day trading period. See Subsequent Event Note 16(a).

The aggregate repayments of principal required to meet long-term debt obligations are as follows:

1998	$2,286*
1999	2,366
2000	2,403
2001	2,088
2002	1,867
Thereafter	228

* Excludes $3,000,000 of convertible subordinated debentures converted to equity between January 31, 1997 and February 3, 1997 [See Note 16 (a)].

10. Commitments and Contingent Liabilities

The Company has entered into operating lease agreements terminating at various dates to 2015, outsourced its computer operations as outlined in Notes 1G, 5 and 6 and entered into operating lease agreements for store security systems.

The minimum annual rentals, excluding tenant operating costs, the minimum annual cash payments for computer services and the minimum annual rentals for security systems are as follows:

1998	$17,249
1999	15,047
2000	14,153
2001	13,705
2002	10,969
Thereafter	44,612

In addition to minimum annual rentals, contingent rentals may be payable under certain store leases on the basis of sales in excess of stipulated amounts; and, the minimum annual costs for computer services would increase if the Company were to require increased services beyond current requirements. See Subsequent Note 16 (b).

The Company enters into commitments with its suppliers in the ordinary course of business to obtain the merchandise required to generate the following year's planned sales. In the opinion of management, commitments made to date are consistent with the Company's fiscal 1998 forecasts and with prior years.

MWW and Work World have inventory buy back agreements in place with Canadian banks under which they have agreed to buy back franchise-owned inventory, at a discount to cost, should the banks foreclose on any of their respective franchisees. As at January 25, 1997, if there were foreclosures on all franchise stores, the Company would be required to buy back inventory totaling $11,595,000.

11. Capital Stock

The authorized capital stock of the Company is comprised of 100,000,000 First Preferred Shares of no par value and an unlimited number of Common Shares of no par value.

The issued capital stock of the Company is as follows:

	Weighted Average Common Shares	Common Shares	
1997	24,975,543	25,380,788	$28,577
1996	24,514,605	24,584,788	$27,770
1995	23,186,745	24,399,788	$27,655

(Includes "Walden/Lambo" shares see below)

During the year ended January 25, 1997, 796,000 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of $807,450.

During the year ended January 27, 1996, 185,000 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of $164,000 and the $49,000 in the translation adjustment account was written off (See Note 1F).

During the year ended January 28, 1995, 260,634 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of $260,439.

Options to purchase Common Shares granted to directors, officers, employees and one former employee and outstanding as at January 25, 1997 are as follows:

Number of Common Shares	Exercise Price	Expiry Date
15,000	$1.20	March 25, 1997
75,000	$1.00	January 15, 1998
118,366	$0.85	January 20, 1998
600,000	$1.45	January 19, 1999
20,000	$1.26	April 29, 1999
25,000	$1.45	October 25, 2000
200,000	$1.65	January 25, 2002
475,000	$1.45	March 28, 2003
75,000	$1.76	December 9, 2003

As at January 25, 1997, 1,075,033 of the above 1,603,366 Common Share Options are vested and exercisable.

Pursuant to a stock purchase agreement dated January 18, 1995, 1,129,000 Series A Preferred Shares of Mark's Work Wearhouse Inc.(MWW Inc.), the Company's U.S. subsidiary (incorporated on October 17, 1994), were issued to two Walden Group Companies (Walden) for a total consideration of $1,597,536 ($1,129,000 U.S.). In addition, 50,000 Common Shares of MWW Inc. were issued to Lambo Oils Ltd. (Lambo) for a total consideration of $7,075 ($5,000 U.S.) As part of the financing, stock exchange agreements dated January 18, 1995 were also entered into by Walden, Lambo and the Company whereby, at any time between January 18, 1995 and March 31, 1998, the MWW Inc. shares held by Walden and Lambo may be exchanged for Common Shares of the Company at an effective exchange rate of $1.60 (CDN) per share subject to certain adjustments. After January 1, 1998 and on or prior to March 31, 1998, the Company may require that such exchanges take place. As a result of these future exchange requirements, Walden's and Lambo's holdings in MWW Inc. are considered equity of the Company and have been reflected as such in the Company's January 25, 1997, January 27, 1996 and January 28, 1995 Consolidated Financial Statements. The number of Common Shares of the Company (999,337 Common Shares) into which these holdings are exchangeable has also been treated as part of the weighted average outstanding Common Shares for earnings per share calculation purposes for the years ended January 25, 1997, January 27, 1996 and January 28, 1995. During the year ended January 28, 1995, the Company was issued 1,129,000 Common Shares of MWW Inc. in exchange for consulting services and the use of the Company's trade names, trademarks and vendor relationships.

In addition, Walden has been given an option to buy such number of Series B Preferred Shares in MWW Inc. that would, on conversion, equal 20% of all the outstanding Common Shares of MWW Inc. at the time of exercise of the option, for $1,000,000 (U.S.). Such option expires on January 18, 1998. As at January 25, 1997, the book value of MWW Inc. is negative. Also, the Company is required to purchase, out of treasury, 500,000 Series A Preferred Shares of MWW Inc. for a total consideration of $500,000 (U.S.) if and when MWW Inc. enters into a lease agreement for its third store in the United States.

The shareholders of the Company approved a Shareholder Rights Plan Agreement at the June 26, 1996 Annual and Special Meeting of the Shareholders.

Pursuant to the Rights Agreement, each shareholder received one Right for each outstanding Common Share held by them. The Rights have no economic value and may not be exercised unless and until (a) an individual acquires the beneficial ownership of twenty percent (20%) or more of the outstanding Common Shares of the Company without Board approval (becomes an 'Acquiring Person'), other than pursuant to a Permitted Bid, (b) the commencement of, or first public announcement of the intent of any person, other than the Company or any subsidiary of the Company, to commence a Take-over Bid, or (c) the date upon which a Permitted Bid ceases to be a Permitted Bid, or in any circumstances, such earlier or later date as may be determined by the Board of Directors, acting in good faith (collectively, the 'Separation Time'). The occurrence of any of the above mentioned events ('Flip-in Events'), entitles all other shareholders to exercise their Rights and to purchase additional common shares at a fifty percent (50%) discount to market value.

The Rights expire on the termination of the annual meeting of the Company in the year 1999, unless earlier terminated by the Board.

12. Corporate and Franchise Sales

	1995	1996	1997
Company owned store sales	$181,625	$198,262	$220,902
MWW franchisee owned store sales	66,143	64,313	60,682
Work World franchisee owned store sales from effective date of acquisition December 1, 1996	–	–	22,172
	$247,768	$262,575	$303,756

Total corporate and franchise sales have been shown as a separate item at the top of the Consolidated Statement of Earnings to show the size of the total business. Only the Company owned store sales and the franchise royalties earned on franchise owned store sales and initial franchise fees earned on the sale of franchise stores form part of the Consolidated Statements of Earnings.

13. Other Costs

	1995	1996	1997
Settlement with a senior executive	$ –	$1,271	$ –
Provisions for lawsuits	400	(125)	–
	$ 400	$1,146	$ –

14. Income Taxes

The provision for income taxes varies from the amount computed by applying the combined federal and provincial income tax rates as follows:

	1995		1996		1997	
Federal and provincial income taxes	44.6%	$ 2,905	44.3%	$2,824	44.6%	$3,704
Increase (decrease) resulting from:						
Losses carried forward, unrecognized (recognized)	(44.9)%	(2,927)	3.0%	188	4.8%	396
Other	3.4%	222	3.8%	245	3.4%	287
Provision for income taxes	3.1%	$ 200	51.1%	$3,257	52.8%	$4,387

The Company has an August tax year end. The Company's U.S. subsidiary has a January tax year end. A July tax year will be set for Work World. Losses carried forward for tax purposes were as follows:

	August 24, 1996	January 25, 1997
Capital losses – MWW Canada	$ 611	$ 611
Non-capital loss – U.S. subsidiary	$ 935	$1,318

15. Segmented Information

The Company is a specialty retailer of primarily men's apparel and men's footwear operating in Canada and operates one U.S. pilot store. Financial information by geographic area and legal entity is as follows:

	1995	1996	1997
Sales and Earnings			
Corporate and franchise sales			
MWW Canada	$247,768	$261,816	$280,333
Work World Canada	–	–	22,172
MWW United States	–	846	1,410
Inter Group	–	(87)	(159)
	$247,768	$262,575	$303,756
Pre-tax operating income (loss)			
MWW Canada	$ 6,514	$ 6,799	$ 8,697
Work World Canada	–	–	506
MWW United States	1	(425)	(893)
	$ 6,515	$ 6,374	$ 8,310
Cash Flow			
Capital Expenditures			
MWW Canada	$ (4,180)	$ (7,084)	$ (5,885)
Work World Canada	–	–	(13)
MWW United States	–	(522)	(25)
	$ (4,180)	$ (7,606)	$ (5,923)
Depreciation and Amortization (front-line and back-line)			
MWW Canada	$ 2,364	$ 3,048	$ 4,242
Work World Canada	–	–	10
MWW United States	–	64	171
	$ 2,364	$ 3,112	$ 4,423
Financial Position			
Total assets			
MWW Canada	$ 62,936	$ 69,208	$ 91,132
Work World Canada	–	–	1,967
MWW United States	1,605	1,849	1,571
Inter Group	–	–	(1,524)
	$ 64,541	$ 71,057	$ 93,146

16. Subsequent Events

a) Between January 31, 1997 and February 3, 1997 all of the Company's 8% Convertible Subordinated Debentures were converted into 1,621,633 Common Shares of the Company.

b) Pursuant to a letter agreement the Company and ISM are terminating the December 31, 1993 and February 1, 1996 computer operations and equipment outsourcing arrangements effective March 31, 1997. Under the terms of the separation, ISM will be assigning all its leases for computer equipment, that it is using to provide services to the Company, to MWW effective March 31, 1997. At March 31, 1997, the Company will set up $6,178,578 of computer capital leases and $6,178,578 of computer capital lease debt on the balance sheet. In its fiscal January, 1997 Consolidated Statements of Earnings, the Company netted its unamortized deferred gain of $752,000 related to the December 31, 1993 transaction (Note 6) against its prepaid computer services of $979,000 (Note 5) and did not book the $421,000 of income that would have come from the amortization of the deferred gain (Note 6) and the averaging of the payments for services (Note 1G), that would have been available if the agreement had not been terminated.

From March 31, 1997 forward, the computer services amounts shown in the Company's Consolidated Statement of Earnings will appear as back-line personnel, administration and other, back-line interest long term and back-line depreciation.

17. Selected Quarterly Financial Information (Unaudited)

52 weeks ended January 25, 1997

	First	Second	Third	Fourth	Total
Sales	$ 35,932	$ 41,915	$ 51,683	$ 91,372	$220,902
Gross margin percentage	38.0%	36.3%	38.2%	38.7%	38.0%
Earnings (loss) before income taxes	$ (2,156)	$ (2,230)	$ 303	$ 12,393	$ 8,310
Net earnings (loss) per share	(6)¢	(5)¢	0¢	27¢	16¢
Corporate stores at end of quarter	107	106	107	108	108

52 weeks ended January 27, 1996

	First	Second	Third	Fourth	Total
Sales	$ 32,617	$ 37,794	$ 46,321	$ 81,530	$198,262
Gross margin percentage	38.2%	36.4%	37.2%	36.8%	37.1%
Earnings (loss) before income taxes	$ (1,268)	$ (1,742)	$ 169	$ 9,215	$ 6,374
Net earnings (loss) per share	(3)¢	(4)¢	0¢	20¢	13¢
Corporate stores at end of quarter	95	97	101	103	103

52 weeks ended January 28, 1995

	First	Second	Third	Fourth	Total
Sales	$ 28,188	$ 34,258	$ 45,662	$ 73,517	$181,625
Gross margin percentage	38.7%	35.2%	35.7%	37.5%	36.8%
Earnings (loss) before income taxes	$ (1,894)	$ (2,050)	$ 1,161	$ 9,298	$ 6,515
Net earnings (loss) per share	(8)¢	(9)¢	5¢	39¢	27¢
Corporate stores at end of quarter	91	90	93	94	94

Glossary of Terms

The following glossary defines terms used throughout this Annual Report.

Back-line Expenses: All expenses associated with supporting stores but not directly related to face-to-face customer contact. These expenses include non-store personnel and administrative expenses.

Base Rent: Rent payable to the landlord prior to paying for Common Area Maintenance (CAM) and property taxes.

Blend: The percentage that results by dividing the sales of a category by the total Company sales.

Business Objective: A measurable target set for each employee on which job evaluation and bonuses are based.

CAM: The Common Area Maintenance cost component of the total rent payable to a landlord.

CAMM: The Canadian Apparel Market Monitor. This organization provides statistical data on the Canadian apparel market. MWW subscribes to the service.

Capital Expenditures: All costs recognized as a portion of long-term assets. These costs relate to the purchase of leasehold improvements, furniture, fixtures, equipment and capital lease purchases.

Captive Label: Labels owned by MWW but not associated with the name of the store. These include WindRiver, Denver Hayes, Dakota, etc.

College of Retail Excellence: The College of Retail Excellence is made up of internal training programs and external courses that help the Company's employees develop new skills and talents to enable them to reach their potential, contribute at their maximum levels, and meet the changing needs and expectations of the Company's customers.

Commodity Business: Basic staple businesses where changes in product styles occur infrequently (ie. men's work pants).

Conservative Forecast: The lower end of the Company's published forecast range as depicted on page 25 based on the assumptions on page 24.

Destination Store: A store that is large enough and dominant enough in its retail location that it draws its own customer traffic and is not dependant on its neighbours for customer traffic. A destination store is typically free standing but can be in a strip mall or power centre.

E.B.I.T.: Earnings before interest and income taxes.

E.B.I.T.D.: Earnings before interest, income taxes and depreciation. More specifically, sales revenues available after all merchandise costs, front-line and back-line expenses except for interest, depreciation and income taxes are subtracted and the franchise royalties are added.

FMI International: This organization provides statistical data on the Canadian footwear market. MWW subscribes to the service.

Franchise Operations: MWW franchise operating results consist of franchise royalties and initial franchise fees minus bad debt provisions on franchise receivables. In addition, deducted from that amount is an estimate of the franchise operation's share of selected back-line expenses based on MWW franchise sales as a percent of total MWW sales applied to those selected back-line costs and the front-line cost of two district managers. With respect to Work World franchise operations, the definition is the same except that no allocation of costs is required as at this time, as all costs related to the Franchise operations of Work World are specifically identifiable.

Front-line Contribution: Sales revenues available after all merchandise costs and front-line expenses are subtracted.

Front-line Expenses: Expenses incurred from having direct contact with customers, including store personnel, advertising, occupancy, store variable and store other expenses.

Funded Debt: The aggregate of all interest-bearing contracted debt on the Company's balance sheet (currently bank indebtedness, capital lease debt, subordinated debt and bank term debt).

Gross Margin: Sales revenues available after all merchandise costs.

Gross Margin Return on Investment (GMROI): A financial ratio comparing the Company's gross margin dollars to the Company's average inventory at cost. This ratio provides an indication of the Company's inventory efficiency.

Gross Margin Return on Space: A financial ratio comparing the Company's gross margin dollars to the Company's average sq. ft. of selling area. This ratio provides an indication of the Company's space efficiency.

Inventory Turnover: A measure of the level of investment in inventory, calculated by averaging inventory at retail on hand at the start of the period and at each month end during the period, and dividing that amount into sales for the period.

Key Results: One to four challenging, measurable targets set by individuals that 'cause hearts to race and palms to sweat'.

L'Équipeur: MWW's store name in the Province of Quebec.

Macro: A term used to describe 'big picture' or 'global' factors.

MWW: Mark's Work Wearhouse and L'Équipeur operations excluding Work World.

Net Front-line Contribution: Sales revenues available after all merchandise costs and front-line expenses are subtracted and the franchise royalties are added.

Occupancy: Base rent plus Common Area Maintenance (CAM) plus property taxes plus business taxes and licenses.

On Concept Store: A store that: is 8,000 to 15,000 sq. ft. in size; is a destination store; occupies a dominant position in its retail location (preferably free standing but can be in a strip mall or power center); has good parking, signing and access; has properly implemented all store anchors; leasehold improvements, fixtures, lighting and cleanliness meet current corporate standards.

Optimistic Forecast: The upper end of the Company's published forecast range as depicted on page 25 based on the assumptions on page 24.

Performance Contract: A single page document signed by an employee and management that contains the individual's Business Objective and Key Results.

Private Label: A label which uses the store's name, e.g., MWW jeans, and which brings an instant association between product and store.

Purchase Markup: The difference between the selling price and landed cost of an item purchased for resale in the Company's stores.

Rent, Computer Services and Interest on Long-Term Debt Coverage: A financial ratio comparing the Company's fixed commitments under lease, and long-term agreements and interest-bearing contracted debt obligations to the earnings available to meet them. The ratio is intended to provide a better measure of the inherent risk in the business than is provided by the total liabilities-to-equity ratio, due to the large rent component in a retail company's risk profile and due to the fact that the Company's computer services were outsourced from February 1, 1994 to March 31, 1997.

Rolling Average Funded Debt-to-Equity Ratio: A financial ratio comparing the Company's average funded debt over the most recent 12 months to the Company's average equity over that same most recent 12 months.

Sales and Product Managers: The people who provide excellent and incomparable service to our customers while managing replenishment and presentation of a variety of products carried in our stores.

Sales Per Resident: Our measure of market penetration calculated by dividing sales from MWW corporate and franchise stores in a region by the population of the region.

Same Store Sales Increase: A calculation of sales increase on a comparative basis, derived by comparing sales of two consecutive years, exclusive of all stores opened or closed within the two-year period.

Seasons: The Company divides the year into two seasons for operating purposes: Spring – February through July; Fall – August through January.

SKU: The most specific Stock Keeping Unit for our merchandise (i.e. a navy, size 34" waist, 32" leg wrinkle-resistant pant).

Strategic Plan: The Company's most recent Three-Year Plan covering the fiscal years ending January 1998, 1999 and 2000.

Total Liabilities: The aggregate of all liabilities, current and long term, on the Company's balance sheet, including deferred gains and deferred income taxes.

Total Liabilities-to-Equity Ratio: A financial ratio comparing the Company's total liabilities to Shareholders' Equity. This ratio provides creditors with some idea of the Company's ability to withstand losses without impairing the interests of creditors.

Total Sales: Combined sales from MWW's corporate stores, MWW's franchise stores and since December 1, 1996, Work World's franchise stores

WOW: Unsolicited letter of commendation.

WWE: Operations of Work World Enterprises Inc.

Eleven Year Financial Review (unaudited)

(amounts in thousands of dollars except where indicated)

Statement of Earnings

- Total sales
  - MWW franchise store retail sales
  - Work World franchise store retail sales*
  - MWW corporate store retail sales
- Gross margin
  - Percent
  - Operating expenses
- Interest expense
- Franchise royalties
- Depreciation and amortization
- Operating earnings (loss) before taxes
- Earnings (loss) from discontinued operations
- Taxes (recovery)
- Net earnings (loss)

Statement of Cash Flow

- Cash flow (deficiency) from operations
- Change in non-cash working capital
- Investing
- Financing
- Net cash generated (deployed)

Financial Position

- Current assets
- Current liabilities
- Working capital
- Capital assets (net)
- Total assets
- Long term debt
- Shareholders' equity
- Average capital employed

Share Data (per share data in dollars)

- Weighted average number of shares outstanding (000's)
- Earnings/loss per share
- Cash flow (deficiency) from operations per share
- Price/Earnings ratio
- Book value per share (year end)
  - Market value – high
  - – low
  - – year end
  - Dividends declared

Financial Ratios

- Return on average shareholders' equity
- Return on average capital employed
- Current ratio
- Total liabilities to equity ratio
- Rent, computer services and interest on long-term debt coverage

Statistics

- Same store sales increase (decrease)
- Inventory turnover
- Retail square feet (at year end)
- Sales per square foot
- Number of MWW corporate stores end of period
- Number of MWW franchise stores end of period
- Number of Work World franchise stores end of period*
- Total staff (at year end)

*MWW acquired Work World effective December 1, 1996.

Jan. 1997	Jan. 1996	Jan. 1995	Jan. 1994	Jan. 1993	Jan. 1992	Jan. 1991	Jan. 1990	Jan. 1989	Jan. 1988	Jan. 1987
303,756	262,575	247,768	220,055	190,082	185,694	234,190	214,540	175,212	146,990	120,806
60,682	64,313	66,143	61,989	56,629	52,952	55,872	41,904	22,433	10,907	3,963
22,172	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
220,902	198,262	181,625	158,066	133,453	132,742	178,318	172,636	152,779	136,083	116,843
83,969	73,481	66,853	58,067	48,390	46,783	55,725	64,064	56,383	52,959	43,446
38.01%	37.06%	36.81%	36.74%	36.26%	35.24%	31.25%	37.11%	36.90%	38.92%	37.18%
74,353	66,589	61,134	55,126	49,449	50,818	63,663	55,199	49,179	46,617	36,647
1,849	1,672	1,139	2,186	2,130	2,354	3,310	1,709	2,093	1,534	1,279
4,966	4,266	4,299	4,071	3,473	3,438	3,619	2,676	1,415	681	257
4,423	3,112	2,364	3,560	3,030	3,805	3,112	2,335	2,325	1,558	1,365
8,310	6,374	6,515	1,266	(2,746)	(6,756)	(10,741)	7,497	4,201	3,931	4,412
0	0	0	0	0	(2,564)	128	(44)	(436)	(442)	(1,183)
4,387	3,257	200	0	0	(561)	(4,259)	3,119	1,610	1,928	2,254
3,923	3,117	6,315	1,266	(2,746)	(8,759)	(6,354)	4,334	2,155	1,561	975
8,389	6,936	8,354	6,478	313	(1,157)	(2,894)	6,847	4,690	3,703	4,730
5,474	(5,253)	(3,960)	192	(7,835)	(14,809)	14,297	(3,460)	5,146	(1,787)	(241)
(12,766)	(8,444)	(4,609)	(342)	(2,234)	1,935	(8,167)	(3,105)	(2,623)	(4,418)	(4,302)
10,567	1,438	1,862	(3,507)	13,474	(6,615)	3,840	313	(52)	751	1,665
11,664	(5,323)	1,647	2,821	3,718	(20,646)	7,076	595	7,161	(1,751)	1,852
70,377	57,101	56,074	50,173	38,195	44,387	51,268	55,663	39,974	38,943	30,651
42,154	32,769	31,217	30,923	23,325	39,991	44,488	41,851	29,067	29,587	21,345
28,223	24,332	24,857	19,250	14,870	4,396	6,780	13,812	10,907	9,356	9,306
14,608	11,853	7,439	5,590	8,909	8,955	12,306	9,268	8,427	9,278	6,387
93,146	71,057	64,541	56,395	47,635	54,528	72,465	72,958	55,945	54,566	44,219
11,952	4,025	3,000	3,000	8,166	3,280	8,465	5,218	4,924	5,180	4,651
36,884	32,154	28,922	20,745	15,667	10,753	19,512	25,889	21,954	19,799	18,223
43,775	34,175	27,924	24,845	20,325	22,572	31,516	30,450	27,075	24,867	22,478
24,976	24,515	23,187	22,392	15,794	9,842	9,840	9,963	9,971	9,968	9,968
0.16	0.13	0.27	0.06	(0.17)	(0.89)	(0.65)	0.44	0.22	0.16	0.10
0.34	0.28	0.36	0.29	0.02	(0.12)	(0.29)	0.69	0.47	0.37	0.47
12.31	9.62	6.30	23.33	(4.41)	(1.17)	(1.77)	5.91	5.45	7.19	18.00
1.45	1.31	1.19	0.90	0.86	1.07	1.98	2.63	2.17	1.99	1.83
2.20	1.85	1.85	1.79	1.40	1.50	2.65	2.80	1.10	1.55	3.20
1.10	1.15	1.12	0.74	0.70	0.75	0.90	1.07	0.85	1.00	1.55
1.97	1.25	1.70	1.40	0.75	1.04	1.15	2.60	1.20	1.15	1.80
0	0	0	0	0	0	0	0	0	0	0
11.4%	10.2%	25.4%	7.0%	(20.8%)	(57.9%)	(28.0%)	18.1%	10.3%	8.2%	5.5%
23.2%	23.5%	27.4%	13.9%	(3.0%)	(30.9%)	(23.2%)	30.1%	21.6%	20.2%	20.1%
1.67	1.74	1.80	1.62	1.64	1.11	1.15	1.33	1.38	1.32	1.44
1.53	1.21	1.23	1.72	2.04	4.07	2.71	1.82	1.55	1.76	1.43
1.46	1.43	1.51	1.11	0.70	0.35	0.18	1.67	1.43	1.52	1.69
4.2%	1.3%	13.7%	14.6%	3.0%	(18.3%)	(1.0%)	13.1%	5.6%	8.4%	7.4%
2.3	2.1	2.4	2.4	2.3	1.4	2.5	2.9	2.8	2.7	3.3
927,972	814,977	657,775	600,028	587,881	547,685	547,983	609,317	612,841	607,824	530,361
249	268	289	268	240	242	296	285	251	244	222
108	103	94	91	91	86	91	104	105	106	92
33	38	42	43	45	57	53	42	30	18	10
150	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1,860	1,657	1,776	1,419	1,199	1,138	1,290	1,683	1,392	1,490	1,142

Corporate Governance

Mark's Work Wearhouse Ltd. is an Alberta corporation. The Alberta Business Corporations Act makes it clear that it is the responsibility of the Board of Directors to manage the business and affairs of the Company. The Board discharges this responsibility by selecting and holding accountable management, to whom the Board delegates operations. Business and affairs, and operations, are to be managed in the best interests of the shareholders toward the goal of maximizing the long-term value of the Company to shareholders.

The key governance issues facing the Company's Board relate to seeking the appropriate balance between structures and mechanisms that facilitate management's capacity to manage the business and those that facilitate appropriate stewardship by the Board. The Board recognizes the need for, and encourages management, led by the President and Chief Executive Officer, to make clear appropriate executive decisions and to be strong leaders. The need is not to rein in management but to equip the Board with the capacity to exercise its responsibilities, to be good critics as well as supporters and to be constructive skeptics. A healthy, friendly tension is appropriate.

The following analysis uses definitions contained in The Toronto Stock Exchange Report on Corporate Governance ('Governance Guidelines') and is numbered in response to the specific Governance Guidelines. This analysis was adopted by the Board of Directors of the Company on May 5, 1997.

1. The Board has explicitly and implicitly acknowledged its responsibility for the stewardship of the Company.

(i) As part of its responsibility for the stewardship of the Company, the Board is responsible for the approval of the Company's Strategic Plan. At Mark's Work Wearhouse this is accomplished by the Board reviewing and approving management developed strategic planning methodology and the Strategic Plan. The Board delegates to management the responsibility for tabling with the Board, for discussion purposes, a draft Strategic Plan. The Board's input is incorporated by management and, following an iterative process, the Strategic Plan is adopted by the Board at a subsequent meeting thereof. The Board uses the Strategic Plan, as a tool to measure the Company's progress over time.

(ii) The principle risks of the Company's business are outlined under the 'Management's Discussion and Analysis of Risks and Uncertainties'. The Board as a whole and the Audit Committee of the Board in particular review these risks, set policy, when appropriate, for the management of the risks, and receive reports from the Company's management on how these risks are being assessed and managed.

(iii) The Board takes responsibility for appointing and monitoring senior management. At least once a year, as part of the human resources component of the Board meeting, the Board has senior management explain its succession plans with respect to the Company's managers and provide comments on support/backup/succession for their own positions. The Board encourages management to participate in appropriate professional and personal development activities, courses and programs, and supports management's commitment to the training and development of all permanent employees. An amount is allocated in the Company's budgets each year for these activities.

(iv) The Board has instructed senior management to develop a clearly articulated policy for effective two-way communications with shareholders, employees, suppliers, other stakeholders and the public generally, including the media. The Board recognizes this to be, except in rare circumstances, solely the province of management and not the Board. The Board believes that the quality of the Company's communication with outsiders is an element to be considered in evaluating management.

(v) The Board, directly and through its Audit Committee, assesses the integrity of the Company's internal control and management information systems. The Audit Committee meets with senior management and the independent auditors twice a year to discuss and review such matters and reports its findings to the Board.

2. The Board consists of nine members, of whom seven are independent unrelated directors and two are members of management. The directors to be proposed by the Board to the shareholders at the June 18, 1997 Annual General Meeting will be the existing directors. The Board has expressed its intent to maintain a significant proportion of independent unrelated directors.

The Company does not have a 'significant shareholder', defined by the Governance Guidelines as a shareholder with the ability to exercise a majority of votes for the election of directors.

3. No directors are related to each other. The Board has considered the relationship of each outside director to the Company and has concluded that none of the outside directors are related directors.

4. The Board has constituted a Governance Committee, composed of five outside, unrelated directors. The Governance Committee has the responsibility, among other things, to make recommendations to the Board with respect to nominees to the Board. Any nominees recommended would be based on the Governance Committee's assessment of the Board and of the individual directors, reflecting the Board's expertise and its needs and being mindful of potential conflicts of interest.

5. The Governance Committee of the Board, in its March 26, 1997 report to the Board assessed the Board as effective in discharging its statutory and fiduciary obligations. The report also assessed the effectiveness of the Audit, Compensation and Governance Committees as satisfactory. The report described the individual directors as a capable, experienced and diverse group, each of whom makes a meaningful contribution to the discharge by the Board of its duties and responsibilities.

6. At the request of the Governance Committee, the Company developed an orientation package for new Board members. A side benefit of the development of this orientation package was a more comprehensive information package regularly updated for all Board members.

7. The Governance Committee has considered the size of the Board with a view to the impact of size upon its effectiveness and has concluded in its report to the Board of March 26, 1997, that the number of directors in the range as presently constituted is appropriate for a company of the size and complexity of Mark's Work Wearhouse. The Board as presently constituted brings together a mix of skills, backgrounds, ages and attitudes that the Board considers appropriate to the stewardship of the Company. The Governance Committee reviews this issue periodically as part of its mandate.

8. In its June 7, 1995 report, the Governance Committee recommended that the Compensation Committee seek a report from an outside expert on board compensation and then base director compensation on the results of the report. The Governance Committee also strongly recommended that the Company use shares as the currency, at least in part, for compensating directors. In its March 26, 1997 report to the Board, the Compensation Committee addressed senior executive evaluations, senior executive compensation and director compensation. Independent Compensation Committee studies, were considered in preparing the recommendations. The recommendations of the Compensation Committee, including those for director remuneration, were adopted at the Company's March 26, 1997 Board meeting and include options on Company shares as partial compensation for directors.

9. The Governance Committee and the Compensation Committee each consist of five outside, unrelated directors. The Audit Committee consists of three outside, unrelated directors. The Board has no Executive Committee. (See 'Directors' heading for members of all Board Committees.)

10. The Board's Governance Committee has been given the responsibility for developing and monitoring the Company's approach to governance issues and for responding to the Governance Guidelines.

11. The Governance Committee is in the process of but has not yet completed its task of developing position descriptions for the Board and the President and Chief Executive Officer. Completion of the position descriptions will occur in fiscal '98. During the past fiscal year, the Compensation Committee of the Board reviewed the performance of the President and Chief Executive Officer, and Chief Financial Officer. The Board annually approves the business objectives and key results for which the President and Chief Executive Officer is responsible and accountable. The objectives and key results for fiscal '98 and a review of the results for fiscal '97 are published in the Annual Report.

12. In December, 1995, the Board, with the support of management, made a decision to appoint an independent outside director as Chairman of the Board. Although the Company's Board has historically operated independently from management, the position of Chairman had been held by the Company's former Chief Executive Officer. The position description for a non-management Chairman was completed by the Governance Committee and approved by the Board at its meeting on January 24, 1996. The non-executive Chairman's responsibilities include ensuring that adequate and proper information is made available to the Board and maintaining good lines of communication between the Board, the President and Chief Executive Officer and other members of senior management.

The Board's relationship with management has been and will continue to be open, two-way communication. The Board listens with respect to management's recommendations on issues and generally, but not always, accepts them. Management, as appropriate, brings issues of both tactical significance and strategic importance to the Board for input and direction prior to formulating recommendations.

The Governance Committee has recommended and the Board has approved that adequate time be allocated in the Board agenda at each of the March and October Board meetings for the outside directors to meet without management present. These sessions have as agenda items at least the following: (i) evaluation of senior management; (ii) assessment of overall corporate progress and progress against the Strategic Plan; (iii) assessment of overall management capability, strength and depth; (iv) succession planning; (v) Board governance matters; and (vi) issues on the minds of outside directors. The Board has met on several occasions this past year without management present. As a matter of policy, copies of minutes of all Committee meetings, including Governance Committee meetings and Board meetings without management, are circulated to all Board members.

13. The Audit Committee is composed only of outside, unrelated directors. The roles and responsibilities of the Audit Committee have been specifically defined and include responsibility for overseeing management reporting on internal control and management information systems, compliance with the Company's Code of Conduct and the normal statutory responsibilities. The Audit Committee has direct communication channels with the Company's independent auditors and regularly meets with the auditors without management. The Company has no formal internal audit process at this time, a decision reviewed by the Audit Committee and with which the Audit Committee and the independent auditors concur.

14. The Board has adopted a system which enables an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances. Any such engagement is subject to the approval of the Governance Committee and requires senior management to be informed of any such action.

Directors

Art Berliner (1) (3)

Art is a founding partner of the Walden Group, an experienced international venture capital firm managing funds of over $400m U.S. Walden made a $1.6m investment in Mark's Work Wearhouse Inc., in January, 1995, exchangeable into shares of the Company, to fund the pilot phase of the Company's U.S. expansion.

Art's experience as a director of private and public companies in the United States, including the U.S. retail sector, provides a valuable resource for the Company, particularly with the Company's U.S. pilot.

Michael Fox (1)

Mike became the non-management Chairman of the Board in January, 1996. Currently owner of a successful business venture and in private consulting practice in Whistler, British Columbia, Mike received his Bachelor of Commerce degree at The University of Manitoba and became a member of the Institute of Chartered Accountants of British Columbia in 1970. Mike was a partner of a national accounting firm in Vancouver until February, 1981.

William Hardstaff (2) (3)

Bill is President of Seabreaker Resources Ltd. and a Director of Alta Fund Investment Corp. and Tiverton Petroleums Ltd. He graduated from The University of Saskatchewan with a Bachelor of Engineering degree in 1950, and has also completed the Banff School of Advanced Management Program. Bill previously served as president of American Eagle Petroleums Ltd. and of Sultran Ltd., and as senior vice-president of Trimac Ltd.

Michael Lambert

Chief Financial Officer of the Company, Mike joined MWW in the Spring of 1994 and was elected to the Board in June, 1995. He is a Chartered Accountant and has 15 years' progressive experience in financial management of major public Canadian companies. Mike has served as vice-president and controller of George Weston Limited and vice-president of finance for the Southam Newspaper Group. Before entering industry, Mike obtained his C.A. designation during his four years with a major accounting firm in Toronto.

Thomas A. Leon (2) (3)

Tom is chairman of the board of Leon's Furniture Limited. A native of Welland, Ontario, Tom occupied every position at Leon's before becoming its Chairman. He is chairman-elect of the Scarborough Centenary Hospital Foundation Board, director of the Canadian Council of Furniture Manufacturers, and holds directorships with other major Canadian corporations.

Bruce Libin, Q.C. (1) (2) (3)

Bruce is president of B.R. Libin Capital Corp., an investment merchant banking and investment banking advisory services company. Prior to founding that company in February, 1995, Bruce was a partner with the Bennett Jones Verchere law firm. Bruce is also a director of several public and private corporations and community organizations.

Garth Mitchell

President & Chief Executive Officer of the Company, Garth served for four years as a line officer in the Canadian Navy after graduating from The University of Manitoba. He began his retail career with the Hudson's Bay Company in 1969, was a founding partner and president of a successful women's specialty retail business in 1976 and, in 1983, joined Comark, Inc., the Canadian division of a very large international retailing operation. While at Comark, Garth was president of their two largest Canadian divisions. He joined the Company in May, 1991.

Wallace Murray (2)

Formerly senior vice-president with the Company (retired in 1991), Wallace has consulted for the Company on a variety of retail issues. Wallace joined MWW in 1979 after a successful career with the Hudson's Bay Company as a divisional merchandise manager of men's and children's wear.

Jake Scudamore (2) (3)

Jake sits on the Board of Directors of White Rose Crafts and Nursery Sales Ltd. and an advisory board for George Brown College. Jake is president of Scudamore and Associates Inc., a corporate consulting company specializing in strategic planning and marketing. Jake was formerly vice-president, marketing, of The Sports Network (TSN). Under his guidance, TSN won numerous national and international awards in virtually all marketing disciplines. Jake is a recipient of the Commemorative Medal for the 125th Anniversary of Canadian Confederation.

Key: (1) Audit Committee Member
(2) Compensation Committee Member
(3) Governance Committee Member

Corporate Information

Mark's Work Wearhouse Ltd.
#30, 1035 - 64 Avenue S.E.
Calgary, Alberta T2H 2J7
Telephone: (403) 255-9220
Fax: (403) 255-6005
Toll Free Customer Service Number: 1-800-663-6275;
1-800-663-MARK
Please call if we can assist you with any of your clothing or footwear needs.

Stock Exchange

Toronto Stock Exchange
Trading symbol – MWW or Mark Wrk

Transfer Agent

Montreal Trust Company of Canada, Calgary

Banker

Canadian Imperial Bank of Commerce, Calgary

Legal Counsel

Bennett Jones Verchere
Barristers and Solicitors, Calgary

Auditors

Price Waterhouse
Chartered Accountants, Calgary

Senior Officers

Garth Mitchell	President and Chief Executive Officer
Michael Lambert	Chief Financial Officer
Paul Wilson	Senior Vice-President, Sales and Marketing
Richard Harrison	Senior Vice-President, Merchandising
John Murphy	Senior Vice-President, Treasurer and Secretary
Michel St. Jean	Vice-President, Store Design
Linda Mathiesen	Vice-President, Human Resources and Customer Service
Randy Wiebe	Vice-President, Controller
Robin Lynas	Vice-President, Systems
David Manuel	General Manager, Ontario
Jim Killin	General Manager, Quebec/Atlantic
Dale Trybuch	General Manager, Western Canada
Colin Laker	General Manager, Work World Division

Customer Service Inquiries

Linda Mathiesen (800) 663-6275

Industrial and Corporate Wear Inquiries

Jim Haigh (403) 258-7590

Property Management Inquiries

Doreen Busby (403) 258-7571

Store Design Inquiries

Michel St. Jean (403) 258-7502

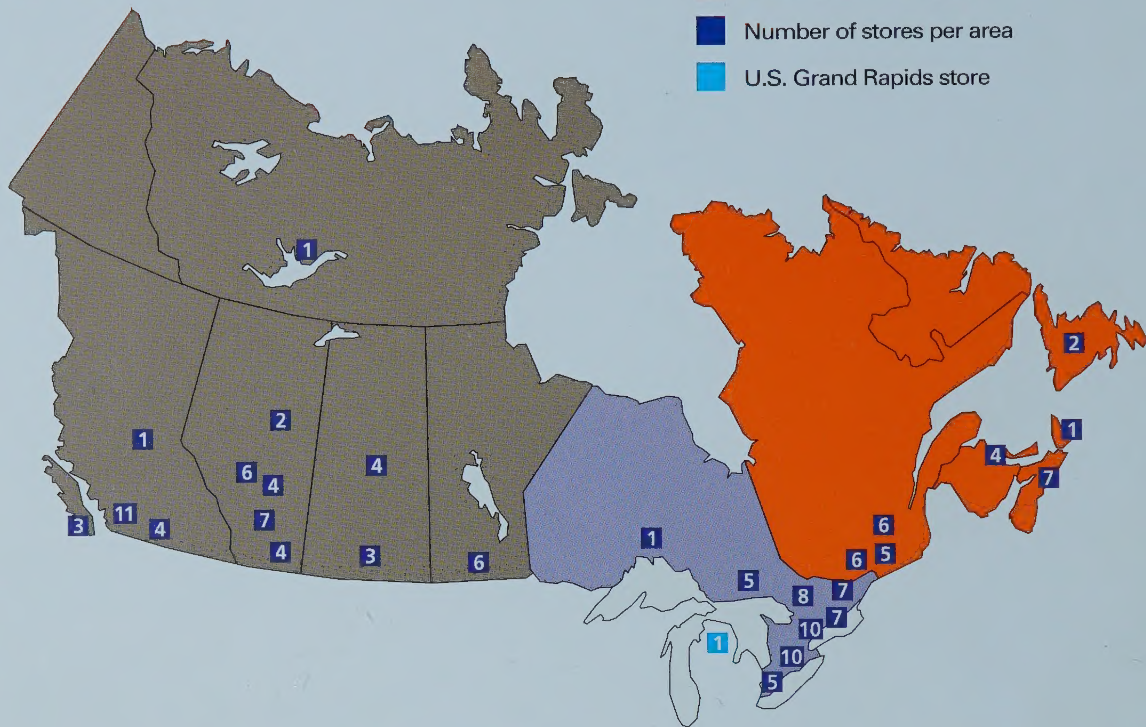
Notice of Annual Meeting

The Annual Meeting of Shareholders will be held in the MacLeod "C" Salon of the Calgary Convention Centre in Calgary, Alberta on Wednesday, June 18, 1997 at 11:00 a.m.

Mark's Work Wearhouse
L'Équipeur

LEGEND

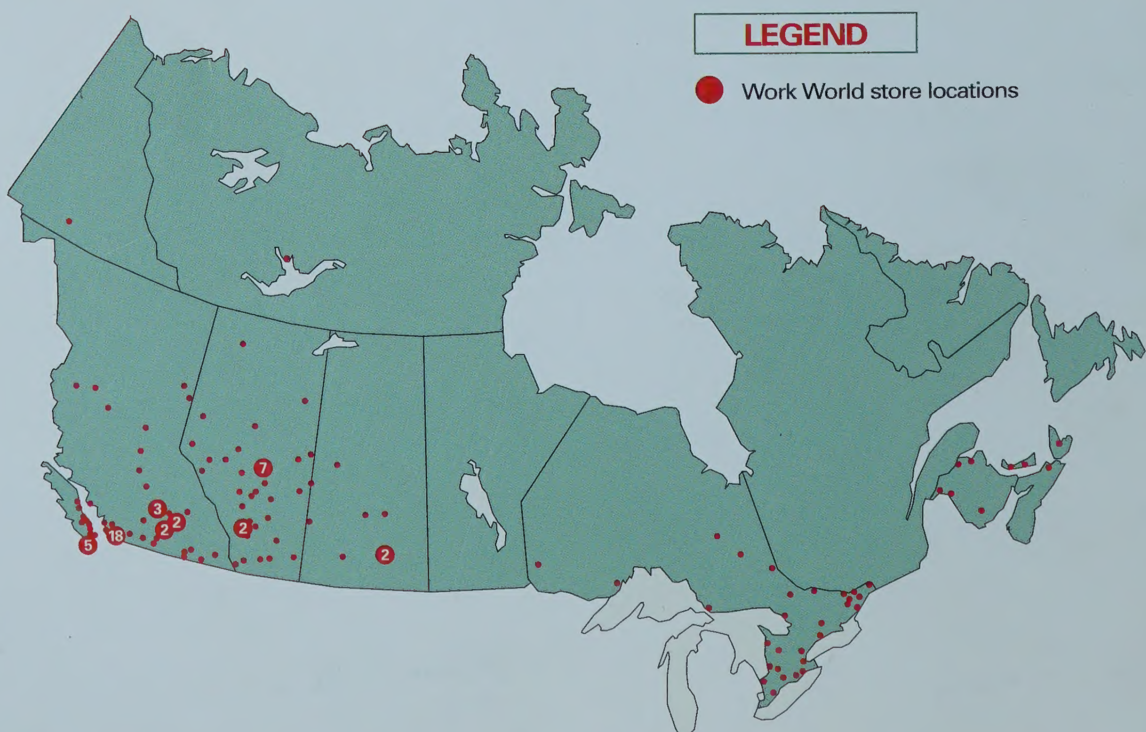
- Western Canada Region
- Ontario Region
- Quebec/Atlantic Region
- Number of stores per area
- U.S. Grand Rapids store



WORK WORLD®

LEGEND

- Work World store locations



The cover and text stock of this year's Annual Report is 10% recycled with 10% post-consumer waste paper.

Printed in Canada.